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WORLD AGRICULTURAL Situation



U.S. DEPARTMENT OF AGRICULTURE
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WORLD AGRICULTURAL SITUATION
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THE WORLD AGRICULTURAL SITUATION

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In the past, the *World Agricultural Situation* has been published annually. It is now planned to publish it three times a year, in early summer, fall, and winter. Regional situations are planned for issuance during March-May.

SUMMARY

World agricultural production (excluding Centrally Planned Asian Economies) totaled about the same in 1974 as in 1973, contrary to the general trend in agricultural production in recent years. During the past two decades, production had declined only once in 1972. The lack of expansion in 1974 resulted primarily from decreased output in the United States, Canada, the USSR, and South Asia. World agricultural production remained at 130 (1961-65=100) and production per capita decreased to 106 from 108 in 1973.

Both total and per capita agricultural production for the developed countries declined. Unfavorable weather in these countries at critical periods in the grain cropping season held production to levels lower than expected. Western Europe experienced widespread drought in March-June, and damaging rains in July, but still managed to increase grain output. Canada and the United States had declines in 1974 in both total and per capita agricultural production. In Australia and New Zealand, grain crops increased, and total agricultural production is up over calendar year 1973. South Africa's corn crop for the marketing year May 1974-April 1975 is more than double last year's drought-stricken crop, and its total production is well over the 1973/74 level.

Japan is reducing feed grain imports in 1974/75, and suspending beef imports because its real disposable income has fallen and the price of domestically produced dairy beef has declined, and because U.S. feed grain prices are high and supplies tight.

The economic and monetary climate of the developed countries is generally not healthy. Most OECD countries are experiencing high unemployment rates, balance-of-payments deficits, especially due to the oil crisis, strikes, and inflation. The real GNP for 1974 for the industrial nations as a whole is estimated to be about equal last year's level.

Agricultural production for the less developed countries (LDC's) rose in calendar year 1974, but per capita production declined. Agricultural production in developing Asia during 1974 probably was about 2 percent less than in 1973. Per capita production will be down about 5 percent, although many countries in the region had increases. Developing Asia's rice crop is now estimated at 102 million tons, a decline of more than 3 percent. Poor monsoon rainfall in India, and flooding in Burma and Bangladesh did extensive damage to crops. Latin America's 1974 harvests are forecast to exceed the 1973 record by 4 percent. This increased production is expected to reduce regional import requirements below record 1973/74 levels and increase supplies of coffee, sugar, grains, and oilseeds available for next year's exports. Indications point to improved agricultural production for most of Africa, with total agricultural

production estimated to be up about 4 percent during 1974/75.

In the centrally planned economies, the outlook for agricultural production is mixed. The USSR experienced a decline in calendar year 1974 in total and per capita agricultural production. The total grain crop including pulses is estimated to be about 200 million tons and USSR imports of grain will total about 6 million tons, which could make the USSR a net importer of about 1 million tons. The People's Republic of China expects a good grain crop in 1974, totaling about 250 million metric tons. Reports indicate a sharp drop in imports because of the adequate crops. Agricultural production in Eastern Europe remains the same as last year. The corn harvest was reduced but because of bumper wheat and barley crops, the total grain harvest will be about the same as the 86 million-ton record of the past 2 years.

Delegates to the United Nations' World Food Conference in Rome, November 5-16, adopted 19 resolutions. Some of the major achievements of the Conference are the following:¹

- (1) A goal of 10 million tons of grain per year for food aid, beginning in 1975, is recommended;
- (2) Endorsement of the Food and Agriculture Organization proposal, International Undertaking on World Food Security, to establish a world network of national grain reserves. The undertaking, to have been considered by the FAO Council in November 1974, will take some time to implement;
- (3) A Global Information and Early Warning System on Food and Agriculture to be operated and supervised by FAO;
- (4) Recognition that trade plays an important role in meeting world food challenges and to this end, trade barriers and restrictions should be eliminated;
- (5) Establishment of a World Food Council of about 25 members to guide world agencies in coordinating, consulting, and advising on matters related to food security.

A wide variety of actual and potential transfer mechanisms could be used, of which bilateral food aid, such as the U.S. P.L. 480 program, is only one. P.L. 480 shipments of wheat and rice are currently projected to be in excess of 3 million tons for FY 1975, more than in FY 1974, although that projection cannot be regarded as a commitment, since actual quantities are only decided sequentially on a case-by-case basis in accord with agreements negotiated with other governments. As a follow-up to the World Food Conference, representatives from potential donor and recipient nations will be meeting in coming months to reach agreement on methods to carry out grain transfers which cannot be made through normal commercial channels.

The value of U.S. agricultural exports totaled \$6.2

billion in the first 4 months of fiscal 1975 compared with \$5.9 billion in the same period last year. Continued price increases may raise the value of U.S. agricultural exports in fiscal 1975 above last year's \$21.3 billion, although the volume of exports could decline by 20 percent.

The trade bill giving the President new authority in trade negotiations has been reported to the Senate by the Senate Finance Committee. Agricultural trade negotiations will be conducted in conjunction with bargaining about the industrial sector. Multilateral trade negotiations are planned to begin in Geneva next spring.

World prices are generally rising for agricultural commodities, with beef, cotton, and coffee being notable exceptions. The October sugar prices were at least 3½ times last year's prices and will likely continue at record levels as long as reported stocks are at a low level.

World grain (including rice) production is now estimated at 1,123 million metric tons, or roughly 4.5 percent below last year's level. This year's production shortfalls were concentrated in the United States, the USSR, and, to a lesser extent, South Asia and Canada.

World rice production is also disappointing. It is approximately 4 million tons below trend, leaving most of Southeast Asia in a tight situation. Prices are high, reflecting the short supply.

For world oilmeal supplies, the major change since September is the further deterioration in the U.S. soybean crop. In addition, soybean production in Canada and rapeseed output in Eastern Europe suffered from unfavorable weather.

World demand for meat has fallen in 1974, and the producer prices in the European Community and the United States are down. High feed and other costs present a threat to the real incomes of livestock producers. National policies to cope with this include meat import quotas in some of the larger meat consuming countries.

Milk production in calendar year 1974 in the world's major dairy regions should increase about 2 percent. In the United States, however, a significant increase in September's production and possible gains for October may not be enough to prevent a 1-percent decline for 1974's annual average from 1973.

World production of centrifugal sugar is forecast at 81 million metric tons (raw value) in 1974/75, based on weather conditions through October. This production would be slightly above last year and would closely match estimated consumption.

World tobacco output in calendar year 1974 is expected to total a little over the 10.4 billion pounds in 1973. Although the U.S. crop is up 13 percent over last year's, poor crops and lowered stocks in many foreign countries have resulted in generally tight supplies and rising prices in world markets.

World cotton production has risen steadily for the past 3 seasons, outpacing consumption. Production in the USSR, Pakistan, Turkey, and Mexico is up over last year, but decreases in production are estimated for the United States, Brazil, Egypt, and Sudan.

¹For more details on the Conference and the world food situation, see *The World Food Situation and Prospects to 1985*, Economic Research Service, December 1974.

Table 1.--Indices of agricultural production in the world and major regions and countries, 1965-74

	(1961-65 = 100)											
	1965	1966	1967	1968	1969	1970	1971	1972	1973	:	Preliminary 1974	
World agricultural production <u>1/</u>												
Developed countries <u>2/</u>	104	108	112	116	117	120	125	123	130	130	130	
Less developed countries <u>3/</u>	104	110	113	117	116	118	123	122	129	129	128	
	104	106	110	114	120	124	127	125	131	131	133	
Per capita world agricultural production <u>1/</u>												
Developed countries <u>2/</u>	100	102	104	106	104	105	107	104	108	106	106	
Less developed countries <u>3/</u>	102	106	108	111	109	110	114	112	117	115	115	
	99	98	100	101	103	104	104	100	102	101	101	
Regional agricultural production												
United States	104	102	107	109	110	109	118	118	120	117	117	
Canada	112	126	108	117	128	112	129	120	123	114	114	
Latin America	109	108	113	113	118	122	126	125	132	138	138	
Western Europe	103	104	112	114	112	113	120	119	121	123	123	
European Community	103	104	112	114	112	112	119	118	120	122	122	
European Free Trade Association	99	99	107	111	106	110	113	111	112	116	116	
Other Western Europe	105	109	115	120	118	123	136	132	133	139	139	
Eastern Europe	105	115	118	120	119	116	122	132	135	135	135	
USSR	103	122	120	129	123	136	135	129	154	147	147	
Japan	103	106	115	119	115	109	102	110	110	111	111	
South Asia	98	97	106	113	119	126	127	119	130	122	122	
West Asia	105	111	120	125	122	124	131	138	127	137	137	
Other East Asia	107	114	112	117	124	130	134	132	144	151	151	
Africa (excluding Rep. South Africa)	105	106	107	110	118	117	120	123	120	125	125	
Republic of South Africa	96	104	131	113	118	121	134	141	117	144	144	
Oceania	101	114	107	124	121	119	123	116	118	120	120	

1/ Excludes Communist Asia.

2/ North America, Europe, USSR, Japan, Republic of South Africa, Australia, and New Zealand.

3/ Latin America, Asia (except Japan and Communist Asia), and Africa (except Republic of South Africa).

WORLD WEATHER CONDITIONS²

Harvest weather and conditions for fall planting in the northern hemisphere have been mixed. Early frosts affected portions of the Midwest and Great Plains in the United States and the Prairie Provinces of Canada. Severe dry conditions persisted in central India. In the southern hemisphere South Africa and Australia benefited from good conditions, while portions of the Argentine Pampa and southern areas in Brazil suffered from lack of moisture.

North America

Unusually cold weather during September and early October caused moderate to severe damage in interior regions of the continent. In the *United States*, corn and soybeans were especially hurt by early frosts and freezing weather during September and October in the northern Midwest and Great Plains regions. Cold, wet weather similarly reduced harvest estimates in *Canada's* Prairie Provinces. Several states in central *Mexico* were hit by severe frost during the second week of September, resulting in a significant loss of corn. In Central America, *Honduras* was hard-hit by Hurricane Fifi (September).

South America

Except for hurricanes—such as Fifi in Honduras and Carmen, which caused some damage along the U.S. Gulf Coast—conditions have been good throughout most of the *Caribbean* region. Localized drought affected southern and western portions of the *Argentine* Pampa. "Winter" drought persisted in *Brazil's* state of Sao Paulo, with some areas lacking rainfall for 3 months.

Europe

Wet fall weather settled in on much of northern Europe, a contrast to the dry conditions which had prevailed earlier in some areas. Continued dry summer weather in *France* reduced grain production—the west and central regions were particularly hard hit. Moisture shortage in late summer affected corn and pastures. September brought more than adequate rains, relieving the severe dryness of August, but retarding maturation of crops, especially corn. September in *Ireland* proved to be the coldest and wettest on record. A cold, wet fall has affected farming operations in the *United Kingdom*. Heavy and persistent rains, beginning at the end of August and continuing for 2 months, have caused losses in root crops in *The Netherlands*, *West Germany*, and *Belgium*. In contrast, precipitation was below normal

over most of *Spain*, interfering with winter planting. In *Eastern Europe*, almost all countries—*Bulgaria* and *Romania* were exceptions—reported heavy rains and flooding during October. Localized dry conditions in the eastern half of the Soviet winter wheat belt hampered fall planting efforts, but Western Ukraine and White Russia suffered very heavy rains and severe flooding in mid-November.

Africa

At the southern end of the continent, *South Africa* benefited from good rains. To the north, the Sahel countries—on the southern fringe of the Sahara: *Chad*, *Mali*, *Mauritania*, *Niger*, *Senegal*, *Upper Volta*—enjoyed a normal autumn rainy season, the first for much of the area in a number of years. In the interior, *Rwanda* and *Burundi* face food shortages resulting from drought during the February-May rainy season, followed by damaging rains which fell during the normally dry months.

Asia-Oceania

The central plateau of *Turkey*, a major grain area, suffered from persistent dry conditions as did portions of neighboring *Iran* and *Pakistan*. In *India*, good rains in early August trailed off and by the first week in September—a critical growth period—many districts reported less than 20 percent of normal precipitation. Monsoon rainfall thus proved inadequate to relieve the continued drought in a broad band of states in the northern and central section of the subcontinent, from north of Bombay (Gujarat and Rajasthan) to Calcutta (West Bengal and Bihar). Some precipitation occurred in the south and central regions of the subcontinent during October, but did not extend effectively northward into the main areas of dryness. Generally favorable weather prevailed over much of *Southeast Asia* during September-November, with good yields reported in some countries. Effects of the flooding that occurred in July and August in *Bangladesh* persisted; severe damage in the southeastern coastal region has been reported in the aftermath of a cyclone which struck in the last week of November. The August floods in *Burma* were stated to be the worst in 50 years. Precipitation in the *People's Republic of China* during September and October ranged from normal or above normal in the north, northeast and coastal regions, to below normal in the central region. A series of typhoons reportedly caused some damage to farmlands in the northern *Philippines* in October and November. Early reports indicate favorable weather in Australia and above average rainfall. Wet and unseasonably cold weather has been reported in *New Zealand*. (Weather-Crop Production Program Area)

² A summary of significant conditions that have been reported since the publication of WAS-5, *World Agricultural Situation*, September 1974.

REGIONAL AGRICULTURAL DEVELOPMENTS

Developed Countries

Preliminary calculations indicate that agricultural production in the foreign developed countries (excluding USSR and Eastern Europe) in 1974 generally increased relative to 1973. Output in Western Europe and Japan rose only slightly (1 to 2 percent) compared with a 4 percent increase for Australia and a sharp increase for Israel (8 percent) and the Republic of South Africa (23 percent). Significant decreases were registered for New Zealand (5 percent) and Canada (7 percent).

Unfavorable weather at critical periods of the grain cropping season tended to hold grain output in most developed countries to levels lower than earlier expected.

Western Europe experienced a widespread drought in March-June followed by damaging rains in some areas in July and later in the season (particularly damaging to French corn production). Total wheat and coarse grain output in the EC-9 is estimated at 106 million tons this year, just slightly more than in 1973. Favorable weather in the Mediterranean area, in combination with a general increase in grain area throughout Western Europe, pushed total wheat and coarse grain output up over 4 million tons to exceed 139 million tons.

Both the quantity and quality of Canada's grain crop have suffered. Statistics Canada on November 22 estimated 1974 wheat output to be 14.2 million metric tons; production in 1973 was 16.5 million tons. Only 36 percent of the wheat delivered by the Prairie farmers is expected to qualify as No. 1 and No. 2 Canada Western Red Spring Wheat, the two top Canadian grades sold with protein guarantees. By comparison, nearly 85 percent of the wheat delivered last year graded that high. Because of the poor quality crop this year, some wheat customarily used for food will be used for feed. Total exports of wheat may exceed 11 million tons in 1974/75 (Aug.-July). Coarse grain production (including mixed grain) is now estimated at 17.2 million tons for 1974, 16 percent below last year's level.

Australia's 1974/75 wheat crop, which is now being harvested, should approximate 11 million tons. Plantings were held down in some areas due to excessive moisture. The quality of the wheat is expected to surpass the 1973/74 crop when heavy rains damaged an estimated 2 million tons of the 12 million-ton output. Exports are expected to approximate 9 million tons in fiscal 1974/75; foreign marketings were held to 1973/74 level by a port strike. Highly preliminary indications are that combined corn, barley, oats, and sorghum output may total 6.0 million tons, about 6.5 percent above the 1973/74 crop.

South Africa's corn crop totaled 11 million tons for the May 1974-April 1975 marketing year, 2.6 times the drought-stricken crop a year earlier. Highly preliminary estimates for 1975/76 show output at 9 million tons with exports at approximately 3.6 million tons. A

potentially dangerous corn disease, *Helminthosporium Maydis*, has appeared in one of the lesser corn-producing areas. Preliminary tests show that the strain located in South Africa is more virulent than that which occurred in the United States in 1970. Original estimates that 90-95 percent of the crossbred corn seed was resistant to the disease may be too high.

Livestock production generally expanded in foreign developed countries during 1974. However, as in the United States, producers were progressively caught in a cost-price squeeze as prices of inputs—particularly feedstuffs—rose sharply and livestock product prices fell.

The EC-9, beset with surplus meat production, placed a ban effective July 16, 1974, on imports of beef, veal, and live cattle (except for quite limited quotas bound under GATT). This ban has now been extended indefinitely. In addition, the EC is paying premiums to producers for deferred slaughter of cattle, making support purchases, giving export subsidies, and providing consumer subsidies of varying types. High feed costs and low prices appear to be causing a moderate cutback in poultry numbers. Hog and cattle numbers for the whole of the EC remain at a high level.

Canada restricts imports of slaughter cattle and beef and may restrict imports of turkey meat and eggs, depending on U.S.-Canadian price relationships.³ Beef prices have declined in the second half 1974 and a price support program is in effect. Hog slaughter rose sharply in 1974 but some decline from year-earlier levels is expected in first-half 1975. Broiler output is about in balance with consumption but there is an oversupply of turkey meat and eggs. Milk production in 1974 should approximate last year's output. Butter imports will continue.

The demand for beef in Japan has slackened due to the decline in real disposable income, and the price of domestically produced dairy beef has fallen sharply. As a result, Japan has suspended foreign purchases of beef. Total livestock production in Japan is expected to be up about 4 percent in calendar year 1974, due mainly to increases in beef and veal, pork and broiler production. High feed costs are resulting in greater slaughter of calves and brood sows. Feed grain imports are expected to show some decline in U.S. fiscal year 1974/75, with the moderate increase in utilization being met by stock drawdowns. Corn imports from the United States in U.S.

³On November 16, President Ford announced the imposition of quotas on imports of beef cattle, beef, veal, hogs and pork from Canada, retroactive to August 12, 1974. The U.S. action was taken particularly to bring about an end to Canadian restrictions on cattle, beef and veal imported from the United States and is not expected to have a significant effect on the retail price of red meat in the United States because imports of these commodities from Canada account for a minimal share of total U.S. consumption. Also, U.S. quantities which normally would have gone to Canada will be available in the U.S. market, because of Canada's own restriction on cattle, beef, and veal.

fiscal year 1974/75 are likely to decline from a year earlier—because of reduced U.S. supplies—but shipments from Thailand and South Africa should increase.

Australia, which depends heavily on foreign outlets for agricultural production, is experiencing a sharp decline in beef prices. Cattle numbers are at record levels; the unusual abundance of grass due to abnormally heavy rains has permitted cattle to be temporarily held out of slaughter. World wool prices have also broken sharply, and the Australian Government has authorized the Australian Wool Corporation to make price support purchases. Near-term price strengthening of either beef or wool is unlikely.

New Zealand's milk output is on the upswing in the last half of 1974 after undergoing a decline in 1973/74 due to severe drought. Numbers of dairy cows in milk dropped due to increased slaughter, and yields were down sharply, as the industry is essentially grass-based.

Farmer demonstrations throughout the EC, in protest of the cost-price squeeze, resulted in the Community's approving an average 5-percent increase in support price effective October 7, 1974. This increase in Common Agricultural Policy (CAP) support prices for 1974/75 is in addition to an average 9-percent price boost agreed to early in the marketing year. West Germany initially vetoed the 5-percent price increase but agreed to its implementation after assurances from other member countries that a full "stocktaking" of the CAP will occur by February 1975. West Germany is anxious for revisions in the CAP in order to reduce its large contributions to the Agricultural Fund and to keep food prices down. This posture on the part of West Germany, in combination with the United Kingdom's demands for a renegotiation of the CAP, could in time result in some significant changes in the Community's farm policies. The newly elected Labor Government in the United Kingdom included in its pre-election mandate a commitment to renegotiate aspects of the CAP and hold a public (non-binding) referendum—the first of its type in British history—on the question of EC membership. The referendum is scheduled for fall, 1975.

Serious inflation, in combination with economic slowdowns and signs of recession, continues to impact heavily on many developed countries. Petroleum prices, which have quadrupled since last year, have significantly contributed to major balance-of-payment problems for developed countries. Italy and the United Kingdom, in particular, have had to resort to large-scale borrowings to finance petroleum imports. Unemployment rates are rising in Western Europe and migrants from the Mediterranean countries are returning to their native lands, as employment opportunities in other countries lessen. Some countries have recently devalued their currencies. On September 25, 1974 Australia devalued by 12 percent and New Zealand by 9 percent. Effective November 10, Israel devalued the pound by 43 percent, increased import taxes, and banned imports of several luxury items for 6 months.

Developed country reaction to the tight world grain supply situation will probably be a key factor in

food price developments in first-half 1975. Despite its currency devaluation, the Australian Wheat Board simultaneously announced that prices of Australian wheat would be held at the same competitive level as prior to devaluation. The Canadian Wheat Board announced around mid-October that it planned to avoid any new commitments on export shipments of grains, pending more precise information on the quantity and quality of the 1974 crop. New measures have been announced by the EC to insure adequate indigenous grain supplies. No additional grain sales are to be made this marketing year to developed countries, including the USSR, and export taxes have been increased. Export subsidies for broilers were abolished November 1, 1974, and reduced for shell eggs, and pork exports will be discouraged. The EC's objective is not to subsidize grain exports in the form of meat.

Mid-November reports indicate that France, West Germany, Belgium, and the Netherlands are experiencing extreme difficulty in harvesting sugar beets due to almost constant rain over a 2-month period. Sugar beet harvesting in Belgium, which is normally 75 percent completed by mid-November, was only 15 to 20 percent completed. Other crops which are reportedly being seriously affected by the prolonged rain include grapes and potatoes. The planting of fall crops has also been significantly curtailed. (Reed E. Friend)

USSR

Soviet agricultural production in 1974 is estimated to be somewhat below that achieved in 1973 and far short of the 6.4-percent increase planned. Weather during the 1974 growing season was not as favorable as in 1973. Consequently, crop production in 1974 is estimated to be about a tenth below 1973, but an increase in output of livestock products is partly offsetting.

The Soviets have described the 1974 grain crop as the second largest harvest in history, or in other words, somewhere between the 186.8 million tons produced in 1970 and the 222.5 million tons in 1973. Gross grain production in 1974 is estimated to be 200 million tons. However, the amount of low quality grain and the amounts of excess moisture and foreign matter in the grain harvested in 1974 are not believed to be as great as in the 1973 crop. Gross 1974 wheat production is expected to approximate 90 million tons, almost a fifth less than the record 1973 total but roughly equal to the 1968-72 average.

Gross production of feed grains—barley, oats, and corn—is estimated at 83 million tons. This total is somewhat smaller than the record 86 million tons produced last year but is far above the 60-million-ton average for 1970-72.

The Soviet Union has been active in the world grain market in recent months and is expected to import about 6 million tons of grain during July 1974-June 1975, of which 40 percent is U.S. grain. However, anticipated U.S. grain exports to the USSR during

1974/75 are only about a third of last year's level. Soviet imports are believed necessary to prevent excessive depletion of the grain stocks accumulated from the record 1973 crop. Soviet 1974/75 grain requirements for both domestic uses and normal exports (about 5 million tons) are estimated to total at least 210 million tons, 10 million tons above estimated 1974 production. Thus, even with the above imports, it is estimated that at least a third of last year's stocks buildup will be used before the next harvest.

Production of oilseeds in the USSR is expected to be somewhat lower than last year. Gross sunflowerseed production is estimated to be 7 million tons, second highest on record, despite its being 5 percent below last year's record output. The cotton crop set a new record of 8.2 million tons unginned, from which 5.5 million tons of cottonseed will be obtained, 7 percent more than from the 1973 crop.

Somewhat reduced sugarbeet and potato crops are expected this year. Rainfall again was relatively good, but temperatures were cooler than normal in most of the main growing regions. Sugarbeet production is estimated at 80 million tons, 8 percent below last year's level. A potato crop of 95 million tons is predicted, 12 percent less than in 1973.

Output of livestock products is expected to increase about 5 percent this year, the result of larger livestock numbers and relatively good feed supplies. Total livestock numbers at the beginning of 1974 were at record highs for all major categories, except for hogs, and increases in state and collective farm herds through September (over the previous September) were running 4 percent. Increases were 10 percent for poultry. This indicates that total numbers on January 1, 1975, will be somewhat higher than a year earlier.

Feed supplies carried into 1974 reflected excellent crops and continued sizeable imports of grains in 1973. Favorable rains in many areas promoted good growth of pastures and other forage crops. In early October, 8 percent more hay and straw had been prepared than by the corresponding date last year, 27 percent more grass meal (chopped hay) but 11 percent less silage.

The original production goals for meat, milk, and wool were reduced in 1974, as in 1973, but increased for eggs. These changes, along with sharply boosted meat imports this year, indicate that the Soviets aim to increase livestock numbers as much as possible to achieve the livestock product target for 1975, the last year of the Ninth Five-Year Plan.

The 1974 outturn of livestock products is expected to approximate the revised planned levels. Meat production this year is estimated to reach 14.5 million tons, 7 percent more than in 1973. Government purchases of slaughter livestock and poultry from January to October were 10 percent greater than in the same period of 1973.

The 1974 milk production is estimated to be 91 million tons, 3 percent higher than in 1973. During the first 9 months of this year, cow numbers on collective

and state farms, as well as average milk yields per cow, increased 3 percent above the corresponding period in 1973. Little change is expected in output from privately-owned cows.

Egg output this year is estimated to be 54 billion, compared with 51.2 billion in 1973. (Fletcher Pope, Jr. and Angel O. Byrne)

EASTERN EUROPE

All countries in the region except Romania and Bulgaria reported heavy rains and flooding during October, causing problems with the harvest of late crops and serious delays in seeding winter grains. October precipitation ranged from 5 to 7 inches in Poland, Czechoslovakia, Hungary, and Yugoslavia.

Yugoslavia, with some 300,000 hectares of agricultural land affected by flooding, appears to have suffered the most damage.

Because of bumper wheat and barley crops, the total grain harvest will be about 86 million tons. The anticipated record corn harvests in Yugoslavia and Hungary will not materialize, however, and the drought-affected corn crops in Romania and Bulgaria will be sharply lower than last year. Hungary had expected to have 2-2.5 million tons of wheat and corn available for export in 1975, but because of late ripening and flood damage to the corn crop, this availability probably will be less than the 1.9 million exported in 1974. In September, Yugoslavia was forecasting exports of 200,000-300,000 tons of corn; after the October floods, officials were calling for a ban on exports of corn, seed corn, and mixed feed. Based on production and purchases, it appears that both Romania and Bulgaria will be in the market for more than a million tons of grain for 1974/75 delivery. Romania has already purchased almost a million tons of U.S. grain, and Bulgaria has already received 300,000 tons of grain from the USSR and lesser quantities from other East European countries.

In the northern importing countries, Czechoslovakia harvested a bumper grain crop and the crops in Poland and East Germany should match the records of 1973. Because of increased livestock numbers and a mediocre potato crop, however, the gross grain imports of these three countries should at least equal the 8-million-ton level of 1973/74. As of November 1, U.S. grain sales to Poland exceeded 1.5 million tons, and those to East Germany amounted to about 600,000 tons.

The heavy rains and floods have caused a very serious delay in fall seeding and, except in Romania and Bulgaria, it is unlikely that all of the area planned for winter grains will be seeded. For the northern countries that cannot grow corn, this shortfall will have to be compensated for by increased seeding of lower-yielding spring barley and oats. Fall seeding reached only 90 percent of the planned area in Poland by mid-October, the recommended final date for seeding in that northern

country. As of October 29, 75 percent of the winter grain area had been seeded in East Germany, and aircraft were being used to broadcast winter wheat and rye on the remaining area. Farther south, by November 13 only 70 percent of the winter wheat had been seeded in Hungary and 30 percent in Yugoslavia. In addition, some of the newly planted winter wheat was washed out by the floods in the latter country.

The potato harvest for Eastern Europe was almost completed by October 29, but only about 55 percent of the sugar beets had been lifted. Apparently, this discrepancy is because beet harvesting is more highly mechanized and equipment was bogged down in the waterlogged fields. With that slow rate of progress, there is danger that the ground froze in the northern countries before all the beets were lifted. It appears that harvest and post-harvest losses will more than offset the increase in beet acreage this year. Poland, the major sugar producer in East Europe, placed a ban on sugar exports on November 5. The East European potato crop is estimated at about 10 percent below the level of the past 2 years.

Both rapeseed and sunflowerseed are expected to be down in 1974. Winterkill of rape was heavier than normal, and sunflower yields were cut by drought in Romania and Bulgaria. (Donald Chrisler)

PEOPLE'S REPUBLIC OF CHINA (PRC)

Official reports on this year's grain crop have been mixed. Press releases were quite exuberant about early rice production, claiming record harvests for many early rice areas, though not declaring the same for the nation. However, announcements in the press for a good winter wheat harvest were spotty and subdued. So far, there have been no such press reports, regional or national, on intermediate rice, miscellaneous grains, or industrial crops. But it is still a little early for such reports. On the other hand, the prolonged dry period may have affected yields in Central China's crop areas.

Generally, the PRC expects to reap a good grain crop this year. Press releases indicate an expected total grain production (including pulses and potatoes on a grain equivalent basis of 4 to 1) of 250 million metric tons for 1974. Amidst claims of 250 to 257 million tons for 1973 by PRC government officials, the estimated grain crop for 1974 will still be a very good one.

Because of a long dry spell during winter and early spring, winter wheat production in 1974 is estimated somewhat smaller than the record harvest in 1972. Comparison with the 1973 crop is difficult at this time because of conflicting reports from PRC. Spring wheat was good, but since it normally accounts for only 10 to 20 percent of total wheat output, it would not offset the drop in winter wheat. Increase in winter wheat acreage was not significant. Drought conditions occurred in many parts of the North China Plain and other winter wheat areas during winter and spring. In one area in

Honan Province, the chief wheat producer, the drought spell was claimed to be the worst in 25 years. Potential disaster from drought for winter wheat was largely averted due to a great effort in irrigation in the North China Plain, a major winter wheat area, as well as the use of improved seeds, increased application of fertilizer, and some increase in acreage. Although the massive effort did bring many hectares of land under irrigation, a good portion of land sown for winter wheat was still at the mercy of the weather. For example, in Honan Province only about half of its 4.7 million hectares was irrigated.

In the Provincial radio broadcasts, reports on output and yield per hectare were most exuberant for the early rice harvest. With improved weather in the latter half of 1974 after the unsettled and prolonged cold spring and with the increased use of improved seeds (a short-stalk, high-yield variety), the PRC may have reaped a crop equal to or possibly slightly larger than the 1973 crop. Neither provincial nor national production data on other crops have been reported in the Chinese press. However, preliminary indications are that harvests of miscellaneous grains, intermediate rice, and soybeans could about equal to or be somewhat below those in 1973, and that cotton production may be about the same as or possibly better than last year's harvest.

The Chinese press seldom, if ever, mentions the conditions of sweet potatoes and Irish potatoes. Based on weather in the areas of these crops, it is assumed that production will also be about the same as the 1973 crop.

The late rice producing areas experienced dry weather in Central China and typhoons along the Southeast Coast. However, crop experts who traveled in China in August and September observed good stands of late rice and widespread use of dwarf-stalk, high-yield rice varieties in many provinces. Prospects for a good crop, of course, depend on the effects of late season weather on that portion of the crop whose planting in the double-cropped rice area was delayed due to late maturing of the early rice crop. Further, this area has had slightly below-normal temperatures throughout the growing season. A continued reduction in temperatures with the prolonged growth season could affect yields.

This good crop of total grain, though probably not a record one, is the result of (1) improved weather in important crop areas in the second half of 1974; (2) massive irrigation efforts; (3) minimum changes in chemical fertilizer use for 1974 crops due to allocations prior to the crunch of the world oil crisis and fertilizer shortage; and (4) widespread use of improved seeds and the increased use of the dwarf-stalk, high-yield varieties of rice.

With an estimated 80 percent or more of the 1974 crops harvested, the PRC should by now have a good idea of total grain and industrial crop production in 1974, and of the needs for agricultural imports. Indications are that the PRC has deferred some of its grain imports and has cancelled essentially all of the

soybean imports scheduled for delivery in the second half of 1974. There have been no further negotiations for future wheat purchases since mid-1974.

China's total grain imports during July-June 1974/75 are estimated at about 7.5 million tons, roughly the same quantity as was imported a year earlier. During the July-June 1974/75 marketing year, the PRC is expected to import 1.8 million tons of wheat and a negligible amount of corn from the United States. As of October 27, the United States had shipped to China 1.4 million tons of wheat and 23,400 tons of corn since July 1. An additional 392,000 tons of wheat were listed as outstanding in *U.S. Export Sales* for the balance of this fiscal year. Canada will likely provide China with about 3 million tons of wheat in FY 1975 and Australia is expected to export to the PRC between 1.75 million and 1.9 million tons. Argentina will be China's principal

foreign supplier of corn in fiscal 1975, exporting an estimated 750,000 tons in addition to 275,000 to 350,000 tons of wheat.

China's soybean imports in 1974/75 will be limited to the 100,000 tons imported from the United States in July-September 1974. No additional shipments are anticipated in the balance of 1974/75.

China's cotton imports are expected to decline to 1 million 480-lb. bales in 1974/75 marketing year, of which the United States will supply about 600,000.

The following table reviews China's grain trade on a calendar year basis for the period of 1972-74 as reported by exporting countries. China's grain imports in 1966-70 averaged 4.5 million tons. These were supplied by Canada, Australia, and to a lesser extent, France. (Charles Y. Liu, Marion R. Larsen, and Linda A. Bernstein)

Table 2.--PRC grain imports by exporting countries, calendar years 1972-74

Commodity by country	1972 <u>1/</u>	1973 <u>1/</u>	1974 <u>2/</u>
-- Million metric tons --			
U.S.:			
Wheat	0.5	2.6	1.9
Corn .....	.4	1.4	0.9
Canada:			
Wheat	3.7	2.4	2.5
Australia:			
Wheat	---	.8	1.6
Argentina:			
Wheat	---	---	.2
Corn	---	.1	.7
France:			
Wheat	---	---	.2
Total wheat	4.2	5.8	6.4
Total corn .....	.4	1.5	1.6
Total grain	4.6	7.3	8.0

1/ As reported by major exporting countries.

2/ Estimated, based on past-year data and existing contracts.

ASIA

Agricultural production in Developing Asia⁴ during 1974 is expected to be about 2 percent less than in 1973. Per capita production will be down about 4 percent. The regional decline is the result of a sharp decrease in India and smaller downturns in Bangladesh, Burma, and the Khmer Republic. Despite the general decline for the region, many countries in the region are showing increases.

Developing Asia's 1974 rice crop is estimated at about 102 million tons (milled). This is substantially above the drought-affected 1972 crop, but it is 3 percent below the 1973 level, and below the long-term trend value for 1974. Prolonged drought resulted in a 3.7-million-ton decline in India's rice crop, while the floods in Bangladesh have resulted in slightly reduced rice output. In Thailand, rice output is expected to increase from 9.5 to 9.6 million tons, a new record. The largest increase in the region's rice production is expected in Indonesia, where output is forecast at 14.5 million tons, substantially higher than the 1973 crop of 13.2 million tons. Indonesia has suffered drought conditions for the past 2 years.

Rising consumer prices have plagued many Asian countries in 1974, particularly during the early part of the year. Countries which import a large share of their consumer goods have suffered most. Consumer prices through July 1974 had risen most sharply in South Vietnam (31%), Taiwan (29%), Indonesia (26%), the Philippines (25%), South Korea (20%), and Thailand (19%). Food prices have normally outpaced other items in the consumer price index, with grain prices leading the way in most Asian countries. In addition, import prices (especially fertilizer prices) have soared in most countries.

Production of grain (including millet) and pulses in India during 1974/75 is estimated at 96 million tons, down from 103.6 million tons in 1973/74. The long summer drought did more damage than originally expected. Coarse grain production during 1974/75 may be 5 million tons below the 1973/74 level of 28 million tons. Lower rice yields are being reported in Gujarat, Madhya Pradesh, Uttar Pradesh, Orissa, and Andhra Pradesh, and 1974/75 rice production may be about 3.7 million tons (milled) below the 43.7 million tons harvested in 1973/74. As a result of the drought, peanut production will be down from the 5.8-million-ton crop harvested in 1973 to possibly 5 million tons.

India harvested only 22.1 million tons of wheat in 1974 compared to 24.7 million tons the previous year. Input shortages and adverse weather coupled with a high incidence of rust were major reasons for the decline.

Grain imports during 1974 have been insufficient to supply fair price ration shops with adequate supplies, and serious food shortages are developing in some areas

of western India. Wheat imports will reach about 5.2 million tons in 1974, compared with 2.9 million tons in 1973. About 3.3 million tons of U.S. wheat have been commercially purchased in 1974. Purchases of Argentine sorghum will total about 600,000 tons.

Rising world prices for sugar and oilseed products have contributed greatly to India's increased export revenues for 1974, which are now forecast at nearly \$4 billion—a 25-percent jump from the previous year. Exports to the USSR are currently expected to be \$620 million, about \$200 million more than imports from the USSR but less than previously anticipated. Very little wheat has arrived from the USSR in recent months. India imported about 1 million tons of wheat from the USSR during the first 8 months of 1974.

The rice crop in *Bangladesh* was damaged by flooding during July and August. Massive replanting efforts were undertaken, and have cut the losses substantially.

Bangladesh is continuing its policy of attempting to import sufficient quantities of grain to insure average per capita consumption of 15-16 ounces per day. Most of the imported food grains are distributed through ration shops at subsidized prices. At least 4,300 gruel kitchens have been set up countrywide to provide a free subsistence ration for over 2.5 million of the neediest.

Grain supplies in Bangladesh are still very low, but are expected to improve somewhat in December and in early 1975. Storage and transport facilities will be taxed to their full capacity during these months.

The off-season rice crop in Indonesia (October-December) is reported to be very good. Weather has been favorable most of the year, with prospects for a record rice harvest still being estimated at 14.5 million tons, while 2.8 million tons of corn are expected. Rice stocks continue to be large and rice prices have been stable in recent months.

Indonesia's rice imports for 1974/75 will be about 1 million tons. North Korea has scheduled delivery of 200,000 tons in late 1974 and early 1975. The People's Republic of China, Thailand, and Pakistan are also expected. Rice stocks continue to be large, and rice the year.

A series of typhoons struck the *Philippines* in October and November, damaging the tobacco and sugar areas of northern Luzon. The Philippine Government temporarily suspended sugar exports until a further assessment of damage could be made.

The main-season rice harvest (November-January) is underway in the Philippines and a record crop is still being forecast. The recent floods may have caused damage in some of the major rice-producing provinces in Luzon, but the recently implemented water control measures should minimize losses.

Copra production for 1974 will probably show some decline from the 1973 level. However, if output continues to increase at its current rate, a much larger copra crop may be harvested in 1975.

Pakistan's 1974 wheat crop is estimated at 7.5 million tons, a little less than the previous year. Frost

⁴Excludes Communist Asia, West Asia, Japan, Australia, and New Zealand.

damage during the early stages of plant development and excessive heat in some areas contributed to the shortfall. In addition, about 48,000 hectares could not be planted to wheat because of difficulty in land preparation due to the 1973 floods. Fertilizer use declined because of rising prices and poor distribution. As a result, fertilizer consumption in Punjab, the major wheat growing area in Pakistan, declined by more than 10 percent to 87,000 nutrient tons.

To meet rising consumer demand, Pakistan is expected to import about 1.2 million tons of wheat during 1974/75. About 700,000 tons have already been contracted and the remainder will likely be delivered under concessional terms, including an undetermined quantity under PL 480.

Thailand's 1974 corn harvest is now estimated at a record 2.5 million tons, 6 percent above the 1973 crop. Rice production is estimated at 9.6 million tons, slightly above the 1973 outturn. Thailand expects to have an export availability of 1.6 million tons of rice in 1975, compared with 1.1 million in 1974.

Agricultural production in *Burma* for 1974 is expected to be down sharply due to severe flood damage this summer. Early official government estimates indicated that half of sugarcane and jute crops were lost. About 280,000 hectares of rice were affected by the floods; about one-fourth of the flooded paddy land was successfully replanted, and the paddy harvest will probably be reduced about 20 percent from last year's crop of 5.6 million tons. The Burmese still officially expect to export 200,000 tons of rice in 1974. (E. Wayne Denney)

Latin America

Agricultural production in Latin America during 1974 is currently forecast to exceed the 1973 record by more than 4 percent. Low prices continued to restrict gains in livestock products. Late-year grain harvests were reduced by adverse weather in Argentina and Mexico and the Central American bananas were severely damaged by September hurricanes. However, increased production is expected to reduce the region's import requirements below record 1973/74 levels and increase supplies of coffee, sugar, grains, and oilseeds available for export during the year ahead.

The region's agricultural trade continued at record levels during 1974. Exports were stimulated by high world prices and a growing need to meet sharply rising import costs, particularly for petroleum and industrial commodities in some countries. Larger earnings from petroleum, minerals, and agricultural products permitted the maintenance of essential food and energy imports through early 1974, including some rebuilding of grain stocks reduced during the 1972/73 drought period. This was reflected in U.S. agricultural exports to Latin America which increased from \$1.1 billion during July-June 1972/73 to \$2.4 billion in 1973/74.

Expanded exports and higher import costs, associated with advancing world prices, exerted increasing upward

pressure upon prices of industrial and consumer goods, and rates of inflation rose sharply in most countries. Increased costs for petroleum and related products also generated growing trade deficits and reduced foreign exchange in those countries dependent upon imports, including Brazil, Uruguay, and Central America. General concern with inflation and monetary problems stimulated efforts to expand exports and restrict imports and encouraged increased use of price controls and subsidies to maintain consumption and production of essential commodities.

Inflation and monetary problems are expected to weaken trends in economic growth and demand in some countries, and lower 1974 growth rates are forecast for Brazil, Mexico, and Central America. A sharp rise is anticipated for incomes in the petroleum exporting countries (Venezuela, Trinidad, Bolivia, and Ecuador). But the combined rate for the 22 Latin American countries is expected to continue significantly below the 7.8 percent peak of 1973.

Recent uptrends in Latin America's agricultural trade are expected to weaken during the year ahead. Lower prices for coffee and a less favorable supply outlook for wheat, cotton, bananas, and meat will tend to restrict earnings. The region's exports will be dominated by sugar, feed grains, oilseeds, and related products, which are expected to maintain unusually large returns to the Caribbean and South American countries. Imports will tend to decline from recent peaks in face of growing restrictions, some weakening of demand, and programs to increase self-sufficiency. U.S. wheat exports to the region should continue above normal levels but below the 5.5 million tons for 1973/74 and shipments of feed grains will fall significantly from last year's record 3.9 million tons.

Argentina's livestock industry remained depressed through 1974, and high prices encouraged expansion in the grain and oilseed area. Increased crops of corn (9.9 million metric tons), sorghum (5.9 million), soybeans (496,000), and sunflowerseed (970,000) are expected to maintain above-normal supplies of feed grains, oilseeds, and related products through early 1975. Current reports indicate a further rise in corn and sorghum plantings for harvest next April.

In contrast, yields of late cereals have been reduced sharply by dry weather in the southern producing areas. Wheat production as of early November is forecast at 6.5 million tons compared with 6.7 million tons in 1973/74 despite a significant rise in planted area. Due to strong world demand and anticipation of a larger crop, a significant proportion of available export supplies has been committed, so further sales may be limited.

Brazil's 1974 crop production indicates a favorable outlook for their exports during 1975. Coffee production has recovered and the current crop is forecast near 1.6 million tons, up sharply from 870,000 tons in 1973. High prices maintained a rise in sugar and, despite drought in some areas, output is estimated at a record 7.4 million tons raw value. Soybeans also moved

AFRICA

up from 5.4 million to 7 million tons and a further advance is anticipated in plantings for the April 1975 crop. In contrast, cotton production fell and lower prices may reduce plantings for next year. Brazil's December wheat harvest, forecast at a record of 2.5 million tons or more, will reduce the need for expansion in imports next year.

Brazil continues to import a large proportion of its petroleum and related products; and despite rising export earnings, a 1974 trade deficit is estimated to range from \$4 billion to \$5 billion. Despite increased production, coffee supplies remain low and recent reductions in world prices may cut earnings significantly from high levels of recent years. It is anticipated that Brazil will place increased emphasis upon trade in sugar, soybeans, and feed grains to meet increased foreign exchange requirements.

Mexico's 1974 production of cotton recovered from low levels of recent years in response to higher prices, and the midyear wheat harvest was estimated up near the 1969 record of 2.2 million tons. However, unusually low rainfall and low irrigation water supplies in northern zones restricted soybean plantings, reduced yields of sorghum and other crops, and forced emergency feeding of cattle in many areas. The corn crop was badly damaged by September cold weather in Central areas; and the harvest is estimated at 8.1 million tons, down 1.1 million tons from last year.

Mexico is expected to continue restrictions on exports of cattle and beef, principally because U.S. prices are not attractive. Imports of grains, oilseeds, and related products will be maintained near high levels of the past 2 years. Due to the cutback in production, imports of up to 1.3 million tons of corn and some drawdown on stocks will be needed to meet consumption requirements, estimated near 9.9 million tons.

Central America's banana exports are expected to be significantly reduced in 1975 due to severe damage to plantations in Honduras last September from Hurricane Fifi. Production and exports of beef will tend to be limited. However, an upward trend in 1974 production is expected to expand trade in sugar and coffee, and large stocks of cotton from 1973 crop should keep exports high. Grains and other food crops were larger in 1974 and, with growing balance-of-payments problems in some countries, agricultural imports may decline from high levels of the past 2 years.

Other Latin America, including the Caribbean and Andean countries, increased 1974 sugar production to all-time highs; and Colombia harvested record coffee and cotton crops. Production of food crops increased with the return of near-normal moisture conditions following 2 drought years. However, rising incomes, associated with petroleum, minerals and other exports are expected to maintain strong demand for agricultural imports in those countries. (Howard L. Hall)

Indications of improved agricultural production in Africa this year are a relief to those who have watched with concern the drought and/or heavy rains which devastated the Sahel region and other regions. Throughout most of Africa the crisis has passed. Bumper crops are expected in some regions. Conditions continue favorable for good harvests this year of the chief African export crops of coffee, cocoa, cotton, and peanuts.

West Africa

The drought in the Sahel was broken in 1974; and much of the land turned green again with grass and grain crops, especially millet and sorghum. The Sahel countries are Mauritania, Senegal, Mali, Upper Volta, Niger and Chad. For example, the American Embassy in Upper Volta estimates that the 1974 harvest of millet and sorghum will be around 1.1 million metric tons, a bumper crop. This compares with a semi-official estimate of 650,000 tons for 1973 and a 1972 figure of 758,000 tons.

This pattern of 1974 bumper crops is not uniform throughout the Sahel. Deliveries of food, mostly grain, from overseas donors continue to be made. When not needed for immediate consumption, these foods are being stockpiled for later use, possibly before the 1975 harvests. The U.S. Air Force Task Force, operating during the summers of 1973 and 1974, has now left Africa after successfully making air deliveries of food in Mali, Mauritania, and Chad.

Nigeria is committed to use its huge new petroleum revenues for the country's own development. The Third Development Plan gives priority to agricultural development, after which comes transport, utilities, and social services. Nigeria intends to introduce universal primary education in 1976.

East Africa

Drought in East Africa has caused some food shortages, particularly in Tanzania, Ethiopia, and Somali Republic.

Drought followed by damaging rains has caused a food shortage in Rwanda and Burundi. Both countries are more than 800 miles from already overcrowded East African ports. Distance from ports and the problem of food distribution to the rural population will slow relief efforts.

Impending independence is causing the exodus of many white farmers and will reduce Mozambique's cotton and tobacco production by 30 to 40 percent. Except for a decline in potatoes, also a product of the white-run farms, food crops will probably show little change. Large projects for cattle ranching and sugar production are likely to be postponed until the political environment stabilizes.

In spite of efforts to achieve self-sufficiency in rice, Malagasy Republic rice imports continued at a high level. Rice imports increased to 71,000 tons in FY 1973 and were 52,000 tons in the first quarter of 1974; half of the 1974 rice imports were from the United States.

Ethiopia

Near-normal rains in major grain-growing areas have enabled Ethiopia to make considerable recovery from the drought and famine which have plagued the country. Some pockets of distress remain, especially in the south and in Eritrea. Nomads are suffering especially. Much of Ethiopia's food needs can be met by timely shipments from surplus to deficit areas within the country.

North Africa

Morocco's 1974 wheat production is now estimated at 2.5 million tons, a 31-percent increase over 1973. Still, Morocco will require imports of 700,000 tons of wheat in FY 1975, at least half of this from the U.S.

This was another good wheat year for Tunisia, though not as good as either 1972 or 1973. Import requirements will be about 300,000 tons. Around half of this usually comes from the United States.

Indications are that Algeria's wheat harvest in 1974 was the worst since 1967. Import requirements may exceed 1.5 million tons. Of this, the United States probably will supply at least half.

Money from petroleum income is being invested in new industries in Algeria. The 1974-77 plan calls for investments of \$27 billion, the largest part for construction of new plants to process Algeria's raw materials. The oil will be refined and processed into petrochemicals; the iron ore will support a steel industry; and the phosphate rock will be converted into fertilizer. Total industrial production is expected to increase by 55 percent in four years. American companies have signed contracts totaling over \$1 billion and negotiations between Algeria and American companies involve projects that will cost over \$6 billion.

In contrast, agriculture continues to receive only about 10 percent of new investment; crop production has stagnated. The index of agricultural production is lower than it was 10 years ago. Food imports have increased and will likely continue to increase.

Southern Africa

A drought in early 1974 reduced cotton, corn, and tobacco crops in southern Angola. Labor shortages on the coffee plantations resulting from impending independence will probably reduce the amount of coffee harvested.

After nearly 2 years of accelerating activity in South Africa, general economic conditions have become less conducive to a continuation of the present boom. As far as agriculture is concerned, however, 1974 was an exceptionally favorable year and estimates at this stage indicate an increase of nearly 25 percent in production.

Record crops of corn, wheat and sugar, in combination with current high world prices for these commodities, will result in a record contribution to foreign exchange earning on behalf of the agricultural sector. On the unfavorable side—local shortages of meat and of some dairy products initiated a general rise in food prices which, after so many years of price stability, caught South African consumers by surprise.

The outlook for 1975 is mixed. South Africa's agricultural sector is nearly self-sufficient, requiring few imported factors of production. Farmers are experiencing increases in factor prices, but these increases are small relative to most other countries and general conditions in the agricultural sector remain highly favorable. However, a limited outbreak of *Helminthosporium Maydis* (Southern Leaf Blight) was reported in the 1974 corn crops. This disease could seriously limit the earning power of the agricultural sector should a major outbreak occur in the 1975 crop.

Zambia

This country is now faced with one of the most serious corn problems in its 10-year history—*Fusarium* Disease. The disease turns the cob pink and makes the kernels unfit for human or animal consumption if the toxic element is high enough. Zambian farmers will be lucky to salvage 300,000 metric tons from the nearly 500,000 metric tons already harvested. Internal demand will likely be met, but exports to surrounding countries will be practically nil. (John Dunmore, Snider W. Skinner, Herbert H. Steiner)

MIDEAST

Farm production in most Mideast countries during 1974 was below previous peak levels recorded at some time during the last 4 years. Wheat production was less than expected in most of West Asia, from Turkey to Iran. Turkey, with an 8.0-million-ton crop, likely will import about 1.25 million tons. Iran, with a wheat crop of 3.7 million tons, has contracted for 2 million tons of imports. Wheat harvests in Iraq and Syria were one-third less than expected levels, although good harvests were recorded by Lebanon, Israel, and Jordan. Egypt's 1974 harvests of rice and corn provided less grain per capita than the excellent 1971 crops did. Rapid growth of cities is causing a strong commercial demand for cereals and fresh produce in the Mideast. Local farmers are providing supplies of most of the increased demand for vegetables, but their output of cereals and sugar for delivery to urban markets has not increased since 1971. West Asia now imports over one-third of its wheat supply and about half of its rice needs. The share provided by imports is rising.

Imports of agricultural commodities by Mideast nations⁵ will approach \$5 billion in 1974/75—more than

⁵ Includes West Asia and Egypt, Sudan and Libya.

double the value recorded three years ago. U.S. exports of farm commodities to Mideast markets increased from \$431.6 million in fiscal 1973 to \$1.1 billion in fiscal 1974. It now appears that the value could reach \$1.9 billion in fiscal 1975 because of dramatic gains in the value of sales of wheat and rice. The United States now supplies almost 38 percent of Mideast food imports, compared with about 10 percent during the late 1960's. The major factor behind the buoyant demand for U.S. products in the Mideast is well known: tremendous gains in foreign exchange holdings due to sharply higher petroleum prices. Demand for food was rising rapidly before this major change occurred, but foreign exchange shortages limited food imports for some major customers, particularly Egypt. Inflows of funds from oil-rich countries have bolstered Egypt's foreign exchange position.

Kuwait's phenomenal economic development has been based on wide distribution of huge petroleum revenues among a small native population and provision of incentives to attract skilled immigrants. Iran and several other countries have also adopted a policy of widely dispersing benefits of petroleum revenues. Agricultural development projects are being emphasized. Most of the rural areas of oil-rich countries are scheduled to receive electricity, new schools, roads, and medical facilities. Average population growth is more than 2.5 percent annually in most of the Mideast. Programs to provide good nutritional meals for school children are likely to start a chain reaction which will eventually influence the typical diet of these nations.

U.S. exports of wheat to Mideast markets are expected to reach 5 million tons in fiscal 1975 valued at about \$1 billion—up from 1.4 million tons valued at \$110 million in fiscal 1973. Iran will be the leading market, accounting for 35 percent of the total. U.S. wheat sales to Turkey so far in fiscal 1975 already exceed 800,000 tons and may approach 1 million tons for the year, compared with 318,000 tons in fiscal 1974. Our exports of wheat to Egypt in fiscal 1975 are likely to rise to 1 million tons—up from 692,000 tons in fiscal 1974.

Further increases in wheat shipments to Iraq are underway following the leap from 13,281 tons in fiscal 1973 to 392,316 tons in fiscal 1974. U.S. exports of wheat to Syria are expected to exceed 125,000 tons in fiscal 1975 including 75,000 tons under Title I, P.L. 480. Wheat exports to Jordan, Lebanon, and Yemen Arab Republic are also scheduled to rise.

Larger sales of wheat flour to the Arabian Peninsula are underway following modest gains in 1973/74. Saudi Arabia is our largest export market for wheat flour. Sales of U.S. wheat flour to new markets in United Arab Emirates, Bahrain, Qatar, and Oman are rising despite strong competition from Australia.

Larger than expected sales of rice to Mideast markets in recent months influenced U.S. rice prices. U.S. rice exports to Mideast markets in fiscal 1975 are now expected to approximate 600,000 tons—almost quadruple the 153,223 tons delivered in fiscal 1974. The

value of these rice sales exceeds \$270 million—up from \$86 million last year. Shipments to Iran in 1974/75 are scheduled to exceed 300,000 tons, while sales to Iraq total 80,000 tons. Larger shipments of rice to Kuwait, Syria, and United Arab Emirates are also expected during 1974/75.

Iran will account for about one-third of U.S. agricultural exports to Mideast markets in 1974/75. With increased oil revenues accruing to Iran—estimated at \$23 billion in 1974—Iran's per capita income is rapidly rising. Consequently, the price of foodstuffs has registered a jump equivalent to 11 percent annually. Iran is seeking to strike a balance between production and consumption of agricultural products in order to avoid becoming a major food importing country. Therefore, plans call for heavy investment on the widest scale in irrigation, agricultural production, and livestock breeding.

Egypt will account for about one-fourth of the Mideast market total with a value of almost \$500 million, including \$70 million under Title I, P.L. 480. U.S. shipments to Egypt under Title I, P.L. 480 during fiscal 1975 include 300,000 tons of wheat, 4,289 tons of tobacco, and 60,000 bales of cotton. Turkey and Algeria will each be markets in the \$200 million to \$300 million range. Our fiscal 1975 exports of farm products to Saudi Arabia and Iraq are likely to exceed \$100 million each for the first time.

Our exports of tomato products and canned fruits to Saudi Arabia, Kuwait, and Gulf Sheikdoms (Bahrain, Qatar, Oman, and United Arab Emirates) are booming. New grocery stores with refrigeration and a marked rise in household ownership of refrigerators have contributed to the rise in sales of U.S. processed foods in these countries. Spectacular gains in U.S. exports of vegetable seeds to Egypt and Arabian Peninsula markets occurred in recent months.

Imported snack foods are sold by many small shops in many Mideast countries, particularly where the population is not yet sufficient to support local food industries. U.S. exports of popcorn, almonds, mixed nuts, potato chips, and bakery products to the Mideast more than doubled in value in fiscal 1974, reaching \$20 million.

Competition for Mideast markets from Australia, the European Community (EC), Pakistan, Thailand, and Brazil has gained momentum this year. Australia has increased deliveries of wheat, live animals, meat, dairy products, and canned fruit. EC exporters are selling more wheat, beef, frozen poultry, powdered milk, butter, bakery products, and canned foods. Pakistan and Thailand are selling more rice. Brazil has become an important supplier of rice, sugar, coffee, and soybean products.

Exports of sugar by Brazil and India to Mideast markets reached record levels in 1974. Sugar purchases by Iran, Iraq, and countries of the Arabian Peninsula have increased markedly since 1972, contributing to the worldwide rise in sugar prices. Egypt, once a sugar exporter, is now becoming a significant sugar importer. (John B. Parker, Jr. and Michael E. Kurtzig)

WORLD PRICE DEVELOPMENTS

In the coming months, world agricultural prices should continue above last year's levels because of the disappointing crop outturn in 1974. The U.S. Gulf export price for wheat (HRW No. 1) reached \$5.23 a bushel in October 1974, compared with \$4.89 a bushel in October 1973 and \$2.38 a bushel in October 1972 (Figure 1). Similarly, the October 1974 U.S. Gulf export price of corn was 265 percent of the October 1973 price and the export price of soybeans was 139 percent of a year ago. The price rise is not limited to U.S. export commodities, since the October import price of raw sugar at New York was 39 cents a pound, 350 percent of sugar price of just a year ago. Linseed oil, peanut oil, cocoa beans, copra, pepper, jute, and sisal have also registered rapid price gains. Notable exceptions to the general agricultural price rise are the declines in international beef and coffee prices.

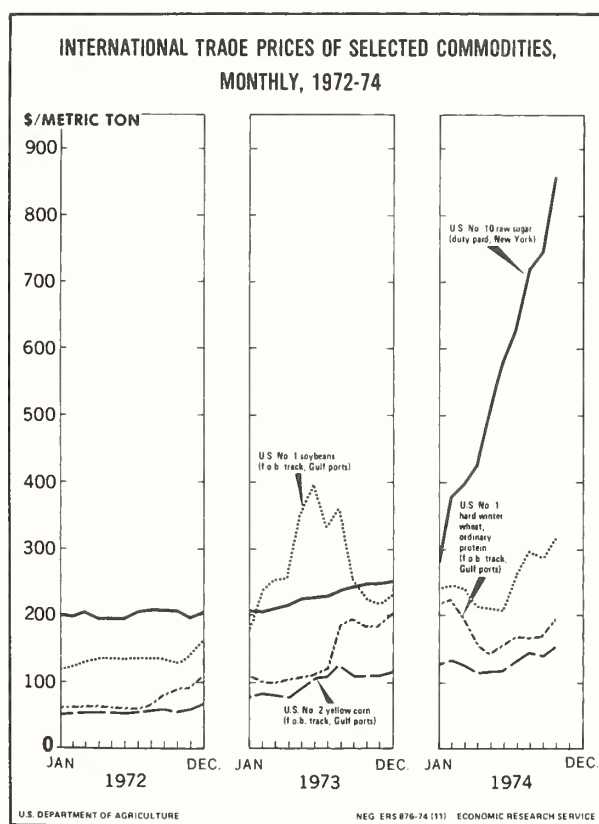


Figure 1

Farm prices

As new crops went to market, U.S. farm prices were at an index of 182 (1967=100) in November, compared

to 181 a year earlier (table 3). In July, Canadian farm prices were more than 20 percent higher than they were in calendar year 1973, while Japanese farm prices were 15 percent higher. In contrast, farm prices were lower in Belgium, France, and the Netherlands in July 1974 than in July 1973.

In November, U.S. farm prices for wheat, feed grains, oilseed crops, potatoes, tobacco, fruits and vegetables were higher than last year, while prices for meat animals were much lower.

Except for the U.K., Ireland and Denmark—whose prices have undergone adjustments as they've become members of the EC—indexes of EC farm prices for both crops and livestock were lower in July 1974 than a year earlier. Prices in the EC for cattle and calves generally hit their peak during the second quarter of 1973 and then slid until the first quarter of 1974. As a result, EC cattle and calves were priced much lower in January-August 1974 than during the corresponding months of 1973. But by September they were higher than a year earlier. Part of this recent recovery may have been induced by EC price policy measures, such as the import freeze, exports to other than traditional customers, special sales to institutions, provision of consumer subsidies in France, and an increase in support prices.

Prices of Agricultural Inputs

U.S. farmers have been faced with sharply rising expenses. The index of prices paid, interest, taxes and wage rates climbed to 178 in November (1967=100), 17 percent higher than in November 1973, with the cost of most inputs increasing. The decline in feeder livestock prices, an exception, was a relief from rising input costs for livestock feeding operations, but cut returns to cow-calf enterprises. Japanese farm inputs were priced 33 percent higher in July 1974 than in July 1973, including a 44-percent price hike for fertilizers. EC farmers faced rising fertilizer and oil product prices. In June 1974, Italian and Belgian farmers paid 45 percent more for their ammonium sulfate fertilizer than they did a year ago. In the United States, farmers paid 30 percent more for ammonium sulfate in September 1974 than in September 1973. June 1973 to June 1974 price hikes for diesel fuel ranged from 36 percent in West Germany to 111 percent in the Netherlands. The price for diesel oil increased 71 percent in the United States. EC farmers during the same period generally experienced a livestock price squeeze through June, as cattle and hog prices declined faster than feed input costs. Soybean meal prices to EC farmers, which were declining from the record levels of 1973, dropped markedly in relation to grain prices.

Table 3.--Index of Producer Prices for Agricultural Products in Selected Countries

Country	Fourth Quarter : 1973	1974											
		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.		
		-----1973 = 100-----											
Belgium	95	94	95	95	91	91	86						
Canada	106	123	123	120	121	123	122	123					
France	100	99	99	99	98	98	98						
Germany, West	106	101	100										
Ireland	103	102	102	102	106								
Italy	106												
Japan	108	112	118	116	120	115	109	115					
Netherlands	95	101	100	97	95								
Norway	91												
New Zealand	106	99											
Spain	100	99	101	99	101								
Sweden	105	107	108										
United Kingdom	114	118	113	112	108	103							
United States	106	115	117	113	94	102	96	102	105	103	108		

Table 4.--The food component of the consumer price index in selected countries

1973 = 100

Country	Fourth Quarter : 1973	1974								
		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
Argentina	106	103	105	105	106	108				
Australia	107	110	111	112	114					
Austria	103	106	106	106	107	107	110			
Bangladesh	115	119	121							
Belgium	103	104	105	106	105	109	109	112		
Cameroon	98	101	106	110						
Canada	106	107	110	111	111	114	116			
Czechoslovakia	100		100			100				
Denmark	104	106	105	107	109	109	110	112		
Egypt	105									
Ethiopia	100	108	108	107	107	108	113	109		
France	105	106	107	108	110	111	112	113		
Germany, West	101	103	103	103	104	105	106	105		
Greece	115	121	123	123	125	129	130	128		
Guatemala	106	107	104	105	108	107				
India	110	112	114	117	121	126				
Indonesia	113	130	135	137	144	141	140			
Iran	102	105	109	112	115	120				
Ireland	103		106			112				
Israel	109	117	138	139						
Italy	103	106	109	111	113	113	115	117		
Japan	106	117	122	123	127	125	123			
Jordan	110	128	126	138	156	141				
Korea	104	113	119	124	125	125	121			
Liberia	103									
Madagascar	106	114	119	127	131	134	133			
Malawi	104	108	110	119	114	110	111			
Malaysia	113	117	124	127	124	126				
Mexico	114	126	128	129	130					
Morocco	107	118	119	120	121					
Mozambique	102	116	117	116						
Netherlands	103	105	105	105	105	105	106	107		
New Zealand	106	107	108	110	110	109	110	111		
Niger	103	101	103	99	102					
Nigeria	105	112	115	116						
Pakistan	115									
Paraguay	101	120	137		124	124	124	120		
Peru	104	107	110	112	113	117	114			
Philippines	115	122	128	130	136					
Poland	101		106							
Portugal	108	111	118	121	125	127	127			
Republic of South Africa	105	106								
Singapore	118	124	126	126	122	122	123			
Spain	106	107	107	108	110	111				
Sri Lanka	108	110	110	110	111	112	112	113		
Sweden	102	104	105	106	103	103	104			
Thailand	106	112	117	122	128	134				
Turkey	105	107	107	109	113	116				
United Kingdom	104	109	110	111	113	115	116	116		
Uruguay	123	134	137	139						
USA	106	109	111	113	112	113	114			
Yugoslavia	105	111	111	112	113	115	120			
Zaire	88	100	109	105	109	109	111			
Zambia	98	102	102	103	103	103				

By October 1974, the index of U.S. agricultural export unit values was a record 233 (1967=100), 21 percent higher than in October 1973. The unit values of soybean oil, raw cotton, corn, grain sorghum, wheat, rice and soybeans pushed up the index. The U.S. export unit value of soybean meal was one-third less than a year ago. While the July 1974 U.S. agricultural export unit-value index was 32 percent higher than in July 1973, West Germany—the world's largest importer of agricultural commodities—experienced only a 3-percent price rise for imported agricultural commodities during the same period.

Because of the CAP, West Germany, like other EC members, paid prices for variable-levy commodities that were well above world market prices. Not until September 1973 (for wheat) and December 1973 (for corn) did world prices reach the minimum import prices imposed by the EC. Moreover, West Germany increased its trade with EC countries whose grain prices are lower than world prices because of the export tax on grain.

In recent months, unit values for U.S. agricultural imports have increased more rapidly than those for exports. The October index of U.S. agricultural import unit values was 227 (1967=100), up 31 percent from October 1973. The extremely rapid rise in unit values for sugar and cocoa beans more than offset declines in those for beef and ham.

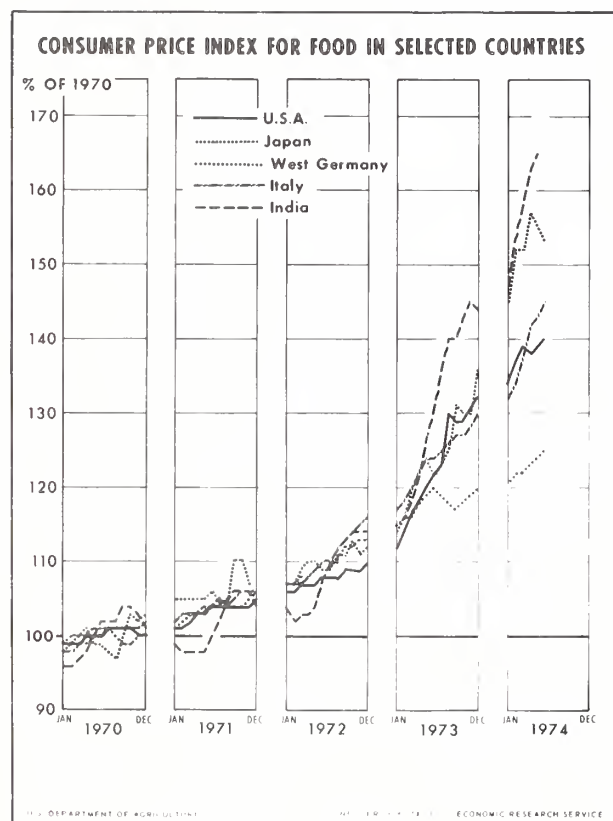


Figure 2

Consumer Prices for Food

In October, the U.S. Consumer Price Index for food reached a record 166 (1967=100), 12 percent higher than in October 1973. Since 1973, Canada, Australia, France, Denmark, and Spain have experienced about the same price rise for food as the U.S. (table 4). In May, India's and Japan's food prices were about 25 percent higher than in 1973. Food prices in West Germany, the Netherlands and Sweden rose only about 5 percent in comparison to 1973. (H. Christine Collins)

The World Monetary Situation

The world faces three interrelated economic and monetary problems today: (1) the inability of most nations to reduce inflation without significantly increasing unemployment and vice versa; (2) the difficult adjustment problems produced by substantially higher oil prices; and (3) the world food situation.

"Stagflation"—that is, stagnation in economic growth existing simultaneously with inflation—was first a problem in 1970 and 1971, before oil and food prices leaped in 1972 and 1973. But it is a much worse problem today. For the industrial nations as a whole, real GNP probably declined a little in the first half of 1974. In the same period inflation accelerated to an annual rate of 12 percent. Furthermore, the lowest rate projected for a developed country in 1974 is 8.5 percent for Germany. This is higher than the average for all developed countries in 1973 (7.5 percent) and above the highest long-term rate in 1959-71 (Turkey, 6.4 percent).

As a consequence, a number of nations (Japan, Italy, and France for example) have instituted stabilization programs with relatively tight fiscal and monetary policies. Since there appears to be a relationship between reducing inflation and increasing unemployment, it seems inevitable that unemployment will increase and income growth will be dampened.

As a result of the increase in oil prices the member nations of the Organization of Petroleum Exporting Countries (OPEC) have been most successful in increasing their foreign exchange earnings. Their reserves during the first 9 months of this calendar year increased 165 percent.

As foreign exchange shifts from oil importing to oil exporting nations, there may develop pressures on non-oil imports as oil importing nations try to conserve foreign exchange reserves. At present this is not a problem because the surplus of foreign exchange earnings over expenditures by OPEC countries is in part returned to the oil importing markets through various capital markets. The U.S. Treasury Department estimates that about \$28 billion had been invested by the OPEC nations between January and August 31, 1974 (table 5). A large number of nations have most likely borrowed from the \$13 billion deposited by the OPEC countries in the Euro-currency market.

Table 5.--Estimated OPEC investments made between
January 1-August 31, 1974

	Unit	Amount
		<u>Billion dollars</u>
United States <u>1/</u>		7.0
United Kingdom <u>2/</u>		3.0
European countries and Japan <u>3/</u>		2.0
International institution bonds		.5
LDC's		2.5
Euro-currency markets		13.0
Total		28.0

1/ Over \$4 and perhaps up to \$5 billion in U.S. Treasury bills and other marketable Government securities.

2/ British Government securities and other sterling assets.

3/ Largely direct placement loans to official or quasi-official agencies, some real estate and private securities.

Source: U.S. Treasury Department/OASIA.

Up to September 1974 few major developed nations had lost reserves; in fact, reserves have increased for many of them. Additional difficulty will be faced, however, when repayment of principal and interest payments becomes due on present loans plus subsequent loans that most likely will be necessary. Several years from now this problem could be compounded for agricultural exporters if the world market returns to a buyer's market.

High world market prices for oil, food, and other commodities have created a most serious problem for many less developed countries. Their opportunities to expand exports are hampered by the economic slowdown in the developed countries. In the past, the LDC's relied on the developed world to buy about three-fourths of their exports. Consequently, most LDC's can expect significant balance-of-payment deficits. Reserves can be used to meet part of this deficit and fortunately their reserves were high at the start of 1974. The remaining part of the deficit must be met by borrowings or aid from the developed nations or from members of OPEC. Some relief has been obtained from

the \$3.4 billion provided by the International Monetary Fund's aid facility.

There are two problems regarding an increase in the flow of capital and aid to the LDC's. First, with a slowdown in growth of the developed countries the flows of capital and aid most probably will not increase substantially. The second problem is related to the recycling of oil money. In general the investment potential in many LDC's is not as attractive as is the potential in the developed countries or in some of the rapidly growing LDC's.

However, some of the OPEC countries have made investment arrangements with some LDC's. Furthermore, the IMF and World Bank are taking steps to provide aid to all nations hit hard by higher oil prices. In addition, while many LDC's have been hurt by higher food prices, many other developing countries benefited from the recent commodity boom—Brazil and Argentina, for example. Countries like Malaysia and Mexico, who are also self-sufficient in oil, have also been able to benefit. (O. Halbert Goolsby)

FOOD AID AND GRAIN TRANSFERS TO LESS-DEVELOPED NATIONS

The World Food Conference recommended that food aid donor countries make all efforts, beginning in 1975, to provide commodities and/or financial assistance to ensure at least 10 million tons of grain per year as food aid. The Conference recommended that grain exporting and importing countries, as well as present and potential financial contributors, meet as soon as possible to confer on immediate food aid availabilities and requirements. The first meeting was scheduled for late November.

The groundwork for this, and presumably subsequent meetings, was laid in detailed discussions held in Rome during the Conference. These discussions among potential donor and recipient nations assessed current and near-term grain import requirements of certain countries. In general, these were the developing, market-economy nations whose grain production for the 1974/75 year is expected to be significantly lower than in 1973/74. Estimates differed moderately as to the extent of import requirements of these nations, partly because the estimates are based not only on current consumption rates and grain on hand, but also on preliminary 1974 harvest estimates, which could still change, and also on estimated harvests through mid-1975, as well as other variables.

Donor and recipient representatives will take account of all variables affecting both requirements and supplies as they work to reach agreement on the methods to carry out grain transfers where they are needed and cannot be initiated through normal commercial channels. There is a wide variety of actual and potential transfer mechanisms which could be used, of which

bilateral food aid, such as the U.S. P.L. 480 program, is only one.

For example, the World Food Program of the UN and FAO, organized in 1962, and the Food Aid Convention of the International Wheat Agreement, first adopted in 1967, both rely upon cash contributions for food aid from donor countries as well as shipments of food commodities as donations or on concessional terms. Thus, the principle is clearly established that a food aid donor, such as a nation or an international institution, need not be the country which actually exports the food.

Even in 1974/75, and in the future, it is possible that there will be additional kinds of arrangements within the international community to achieve grain transfers on aid terms, involving financial assistance from other nations which had not played large roles in food aid heretofore. International financial assistance to bolster national balance-of-payments positions could take on added significance in financing flows of key consumable commodities—grain as well as oil—even as such assistance has for many years provided economic development assistance. Special bilateral aid arrangements between donor and recipient nations may also proliferate, now that world monetary reserves are being concentrated heavily in the hands of oil producing nations.

Programming of U.S. bilateral food aid is flexible, especially in regard to legislative authority, quantities and commodity mix, destinations and timing of shipments, and P.L. 480 agreements. Within budgetary limitations, the United States programs food assistance

Table 6.--U.S. food exports under Government programs, fiscal years 1970-74 and July-September 1973 and 1974

Item	1970	1971	1972	1973	1974	1970-74	July-September 1/	
							1973	1974
- - 1,000 metric tons - -								
Wheat and wheat products	7,629	6,646	6,469	4,108	1,735	26,587	289	141
Title I.	6,152	5,204	4,798	2,461	714	19,329	261	69
Title II	1,477	1,416	1,650	1,590	719	6,852	27	72
AID.	--	26	21	57	302	406	--	--
Rice	950	1,075	1,204	1,120	610	4,959	21	--
Title I.	940	923	814	964	603	4,243	21	--
Title II	7	--	248	33	--	288	--	--
AID.	3	152	142	123	7	427	--	--
Coarse grains and products:	1,433	1,385	1,485	1,590	1,048	6,941	314	84
Title I.	1,069	862	1,213	1,274	378	4,796	245	14
Title II	364	523	272	316	554	2,028	69	70
AID.	2/	2/	2/	1	116	118	--	--
Blended food products. .	149	178	265	269	179	1,040	12	19
Title I.	--	--	--	--	2	2	--	--
Title II	149	178	265	269	177	1,038	12	19
AID.	--	--	--	--	--	--	--	--
Nonfat dry milk.	138	150	125	29	1	444	--	--
Title I.	5	9	10	2	--	27	--	--
Title II	132	141	115	26	--	415	--	--
AID.	--	--	--	2	1	3	--	--
Evaporated and condensed								
milk.	13	20	8	--	--	41	--	--
Title I.	13	20	8	--	--	41	--	--
Title II	--	--	--	--	--	--	--	--
AID.	--	--	--	--	--	--	--	--
Vegetable oils	331	379	396	227	119	1,452	18	13
Title I.	250	293	194	106	66	908	7	6
Title II	81	86	187	112	53	518	11	7
AID.	2/	2/	15	10	2/	25	--	--
Total, food commodities.	10,642	9,834	9,952	7,344	3,691	41,463	653	258

1/ Excludes AID shipments.

2/ Less than 500 tons.

Sources: U.S. Agricultural Exports under Public Law 480, ERS-Foreign 395, ERS, USDA, October 1974.
Foreign Agricultural Trade of the United States, November 1974 issue, ERS, USDA.

under AID legislation (Mutual Security Acts and the Foreign Assistance Act) as well as P.L. 480. Between 1955 and 1970, both the volume and value of food aid under AID-type programs dropped sharply, but since 1970, AID food assistance has been generally rising. (See table 6).

The quantity of grain, blended foods, milk and vegetable oils shipped as U.S. food aid dropped from 9.95 million tons in FY 1972 to 3.69 million tons in FY 1974 in response to tight supply-demand conditions in commodity markets, consequent rising prices, and U.S. food aid budgetary limitations. (See table 6). With the decreases in U.S. yearend carryover grain stocks, and continued tight markets, the need to make sure of the size of U.S. crop harvests before making massive food aid commitments is more critical than ever before. Therefore, the timing of shipments this fiscal year will differ from FY 1974, with first quarter FY 1975 (July-September 1974) shipments down substantially. (See table 6.)

In addition, the P.L. 480 commodity mixture may change considerably this year, with relatively less coarse grain and non-food commodities (such as cotton and tobacco) being shipped, and more emphasis on wheat and rice. U.S. P.L. 480 shipments of wheat and rice were projected in November 1974 to be in excess of 3 million tons for FY 1975, 0.7 million more than in FY 1974, although that projection cannot be regarded as a

commitment, since actual quantities are only decided sequentially on a case-by-case basis in accord with agreements negotiated with other governments.

The greater current emphasis on wheat and rice reflects not only their greater availability in the United States this year, but also the commodity preferences of people in nations, such as India, Bangladesh, Pakistan and Sri Lanka, where need for grain imports is greater this year. In fact, world net transfers of all kinds of grain to these nations were higher in 1973/74 than 1972/73, and are currently projected to be higher in 1974/75 than in 1973/74. (See section on World Grain Situation.) Through late November roughly half of these nations' estimated grain import needs, whether by regular commercial sale, commercial purchase financed by international assistance, or multilateral or bilateral food aid as conventionally known, have been arranged for. Grain is available to cover the remaining half of their needs, if precise transfer mechanisms can be worked out.

Although heavy shipments of U.S. Food-for-Peace grain did not begin until the second quarter (October-December 1974) of FY 1975, some agreements were made during the first quarter, followed by several additional agreements in the second quarter, as shown by Table 7. In general, agreements provide for shipment this fiscal year.

Potential agreements with other nations are under negotiation at this time. (Joseph R. Barse)

Table 7.—Recent P.L. 480 agreements for food aid

Date	Country	Commodity	Maximum quantity
			<i>Metric tons</i>
July 5, 1974, amend.	Pakistan	Soybean and cottonseed oil	20,000
August 10	Cambodia	Rice	50,000
September, 17, amend.	Cambodia	Rice	50,000
October 25, amend.	Cambodia	Wheat and products	10,000
		Rice	100,000
October 25	Chile	Wheat and flour	100,000
October 4	Bangladesh	Wheat	100,000
		Rice	50,000
November 8, amend	Bangladesh	Wheat and flour	100,000
September 12, amend.	Egypt	Wheat and flour	100,000
November 10, amend.	Egypt	Wheat and flour	200,000
November 20	Syria	Wheat	75,000
		Rice	25,000
November 22, amend.	Chile	Wheat and flour	87,000
November 23	Pakistan	Wheat and flour	100,000
November 25	South Korea	Rice	9,000
November 27	Jordan	Wheat and flour	20,000
	India	Wheat	300,000

U.S. AGRICULTURAL TRADE

The value of U.S. agricultural exports totaled \$6.2 billion in the first four months of fiscal 1975 compared with \$5.9 billion in the corresponding period of fiscal 1974. Increased prices more than compensated for the decline in volume.

Foreign sales of grains and preparations equaled \$3.1 billion in July-October 1974, down 7 percent from the same period a year earlier. Wheat sales of \$1.6 billion and 9.9 million tons were only 70 percent of the year-earlier volume. Feed grain exports were 9.4 million

metric tons, compared with 15.1 million metric tons in July-October 1973. Rice sales were 42 percent above the July-October 1973 sales.

The value of U.S. exports of oilseeds and products in the first four months of fiscal 1975 was 35 percent greater than exports in the same period a year earlier. Soybean shipments were larger in value and volume, and soybean oil sales more than tripled in value. Because of price declines, the value of protein meal exports was below the year-earlier level, although volume was up by 51 percent.

Large price increases brought the value of cotton sales in July-October 1974 to \$251 million. Tobacco (including bulk smoking) exports equaled \$266 million, up slightly from a year earlier. Volume, however, was down slightly. Exports of animals and products were up slightly in value. Sales of animal fats, greases, and oils were larger while live cattle exports dropped.

Continued price increases may raise the value of U.S. agricultural exports in fiscal 1975 above \$21 billion, although the volume of exports could decline by around one-fifth.

November forecasts for fiscal 1975 set wheat exports at 28.3 million metric tons, down from 31.0 in fiscal 1974. Exports of feed grains are expected to reach 27.6 million metric tons, a 37-percent drop from the 43.9 million metric tons exported in fiscal 1974. Soybean exports should equal 13.8 million metric tons, 3 percent below fiscal 1974 levels.

In 1974 the developed countries expanded protection of domestic livestock industries. The European Community placed a ban on imports of beef, veal, and live cattle on July 16 and raised export subsidies for poultry meat. The ban on beef, veal and live cattle has been extended indefinitely. On February 1, 1974 Japan suspended foreign beef purchases. Canada imposed import quotas on slaughter cattle and fresh and frozen beef and veal on August 12.

The value of U.S. farm exports to Western Europe during the year is expected to surpass the \$7.1 billion shipped in fiscal 1974. Feed grain exports may be about three-fifths of the fiscal 1974 volume. Combined exports

of soybeans and protein meal should remain near 1974 volume levels. Wheat sales are expected to decline in volume and value. The value of fruits and vegetables, tobacco, and cotton shipped to Western Europe will probably increase. Although the value of U.S. agricultural exports to Japan may gain slightly, the volume may be 10-15 percent below the fiscal 1974 level this year; most of the decline will be in wheat, feed grains, and soybeans. Because of poor U.S. feed grains and soybean crops, Japan will turn to other suppliers. U.S. shipments to Canada in fiscal 1975 are expected to be above earlier years' levels. Value increases in exports of corn, soybeans and soybean meal, rice, and fruits and vegetables should be greater than the decline in exports of animals and animal products.

In general, U.S. farm exports to developing countries are expected to rise in fiscal 1975. The poor monsoon, drought, and floods in South Asia have greatly increased the demand for wheat and rice imports. In the Mideast and North Africa, increased oil revenues for some countries and drought-reduced production in others will spur shipments of U.S. farm products to this region. The value of shipments to Southeast and East Asia (except Japan and the People's Republic of China PRC) is expected to rise in fiscal 1975. Wheat shipments may be lower in volume, feed grain and cotton should remain at 1974 levels, and rice exports to the region may increase sharply. The volume of U.S. farm exports to Latin America is expected to fall below the fiscal 1974 level this year, but value may remain close to last year's level. A major factor in this decrease is Brazil's good wheat crop. Other factors include increased trade among Latin American countries, resistance to higher prices for U.S. grains, and generally good crops throughout Latin America.

Fiscal 1975 exports of U.S. farm products to the USSR are expected to reach about the same value as in fiscal 1974. The PRC is expected to decrease its purchases from the U.S. substantially because of its good 1974 harvest.

For more details on the current prospects for U.S. agricultural trade, see *Outlook for U.S. Agricultural Exports*, December 10, 1974. (Sally Breedlove)

TRADE POLICY DEVELOPMENTS

The congressional schedule for possible passage of the Trade Reform Act, which would give President Ford new trade negotiating authority, looks very tight. A key compromise relating U.S.-USSR trade policy toward the USSR to Soviet emigration policy has apparently been reached. The Senate Finance Committee resumed work on the trade bill in mid-November and reported it out of Committee on November 20. The Congress will have only a few weeks before adjournment and if the bill does not pass the Senate and go through the Senate-House Conference before adjournment, it will die.

The trade bill agreed on by the Senate Finance Committee provides that agricultural trade negotiations would be conducted in conjunction with bargaining about the industrial sector. In addition, the Committee's draft bill would authorize the President to negotiate bilateral trade agreements with countries whose supplies are essential for the U.S. economy.

On October 29, 1974, the President signed an export trade law authorizing retaliation against nations withholding supplies or charging exorbitant export prices. The law, which amends and extends the Export

Administration Act of 1969, has several key reforms. It authorizes the President to use short-supply export controls such as fees and quotas; establishes expeditious procedures for processing export license applications. Topics such as international rules governing export controls as well as access to basic raw materials may be discussed during the Multilateral Trade Negotiations (MTN).

Meanwhile, in Geneva, the GATT Secretariat and other national delegates are hopeful that the MTN can get started in 2 to 3 months if the U.S. trade bill is passed. The Trade Negotiations Committee (TNC), the committee established to supervise and develop procedures for the MTN, is planning to meet in Geneva in mid-December. The group will meet to lay the foundations of the tariff-cutting and other negotiating procedures, anticipating the start of negotiations in early January. However, the timing of the December meeting and the start of actual negotiation depends on early U.S. passage of the trade bill. Several working groups and subgroups established under the TNC met in October to continue discussions on problems in their areas. Group (3B) on Subsidies and Countervailing Duties held its discussions on questions of special treatment of subsidized exports from developing countries. Group (3C) on Sectors examined the methodology for the group and requested the GATT Secretariat to prepare a six-part comprehensive document outlining the framework for sectoral negotiations. Other groups meeting during this period were Subgroup (3E) on Agriculture and Subgroup (3D) on Safeguards.

Delegate countries to the MTN, in the meantime, are continuing to catalogue and analyze their nontariff barriers (NTB) and those of other countries that affect their exports, in preparation for the NTB negotiations. (Barbara Blair)

Beginning on September 12, 1974, reporting to USDA of grain sales to foreign purchasers is required on a daily basis. From August onward there have been informal voluntary agreements with Japan and the EC to reduce their imports of U.S. feedgrain. The Common Market and Japan as well as the United States clearly prefer diplomatic persuasion and negotiation to export controls by the United States.

In early October, the announcement by U.S. firms of contracts for an additional 3.4 million metric tons

of grain exports to the Soviet Union led to further tightening of the earlier system of monitoring grain export sales. The grain exporting firms agreed to suspend implementation of these contracts pending discussions between the U.S. and Soviet Governments. With respect to wheat, corn, sorghum, soybeans, and soybean meal, exporting firms are asked to cooperate in a system whereby they will obtain USDA approval prior to making (1) export sale contracts which would either (a) exceed 50,000 tons of any one commodity in any one day for shipment to any one country of destination, or (b) cause the cumulative quantity of sales of any one commodity made by any one firm to all destinations during any one week to exceed 100,000 tons; and/or (2) any change or changes in destinations, including unknown destinations, from those previously reported to USDA covering already existing contracts if the change or changes for any one commodity exceed 50,000 tons in any one day or accumulate to exceed 100,000 tons during one week.

USDA consults individually with export firms to seek their cooperation in the voluntary system, to discuss the basis which might be used for prior approvals, and to discuss other information which might be needed.

For the present, the system of voluntary cooperation in securing USDA approval for grain exports is preferred by the Administration over possibly more stringent measures for dealing with the current grain supply-demand situation. The voluntary cooperation on grain exports between exporting firms and USDA was devised to prevent a sudden, excessive drain on our diminished grain supplies. Our customers have been assured that this is a temporary and unusual situation during which the U.S. grain supplies are to be equitably shared. The system is also designed to protect valuable future export markets.

In mid-October, the U.S. and the Soviet Union held discussions about the implementation of the grain export contracts which had been suspended. On the basis of these discussions, the Soviet Union agreed to reduce the quantities involved from 3.4 to 2.2 million metric tons, and to revise the grain proportions from 2.4 million tons of corn and 1.0 million tons of wheat to 1.0 million of corn and 1.2 million of wheat. (Sharon Webster)

TOTAL GRAINS⁶

The world grain situation has tightened considerably since the late September publication of the last *World*

⁶The statistics used in this section are based on aggregations of individual country supply and demand estimates quoted for the appropriate local crop year. Trade is generally quoted on a fiscal year basis. Total grain figures include wheat, rice on a milled basis, and the major coarse grains (barley, rye, oats, corn, and sorghum) but not the minor coarse grains (millet, mixed grains, and several other coarse grains).

Agricultural Situation due to further drops in several key wheat and coarse grain production estimates. World grain production is now estimated at 1,123 million metric tons or roughly 5 percent below last year's record high and 4 percent below the trend of the previous 13 years. (See table 8). With record grain area harvested for the world as a whole, this year's drop in production must be attributed to exceptionally poor yields. Preliminary reports set this year's

Table 8.—World Grain Production and Trend Estimates

Year	Actual	1960/61- 1973/74 trend	Actual- trend
	<i>Million metric tons</i>	<i>Million metric tons</i>	<i>Million metric tons</i>
1969/70-1971/72 ..	1,059	1,056	+3
1971/72	1,116	1,085	+31
1972/73	1,083	1,114	-31
1973/74	1,181	1,143	+38
1974/75	1,122	1,172	-50

composite world wheat, coarse grain, and rice yield at 1.75 metric tons per hectare as compared with last year's 1.87 metric tons per hectare. World grain consumption is now expected to be 1,148 million metric tons or roughly 2.5 percent below the 1973/74 record high and 3 percent below 1960/61-1973/74 trend. (See table 11). World wheat and coarse grain stocks will have to be reduced 23-24 million tons if the consumption estimates in table 9 are to be reached. Revision of preliminary 1973/74 data plus this added drawdown set this year's world wheat and coarse grains end stocks at 84-85 million tons. The wheat and coarse grains end stocks of the four major exporters—United States, Canada, Australia, and Argentina—are expected to be 31-32 million tons or 15-16 million tons below last year's level (see table 10). No changes have been made in September's projected 1-1.5 million tons drawdown of rice stocks.

This year's production shortfalls continue to be concentrated in the United States, the USSR, and to a lesser extent, South Asia and Canada (see figure 3). Droughts in large areas of the American midwest, the Soviet New Lands region and the Canadian Prairie Provinces combined with both floods and droughts in South Asia—particularly India and Bangladesh—have

cut grain production in these major areas from 596 million tons in 1973/74 to 526 million tons this year. Production outside these regions is expected to be 2.5 percent or roughly 14 million tons above the 1973/74 level due to exceptionally good crops in Western Europe and North Africa and above average crops in parts of South America and the Middle East.

(NOTE: See tables 9 and 10 on pages 28 and 29)

Table 11.—World Grain Consumption and Trend Estimates

	Actual	1960-73 trend	Actual minus trend
	<i>Million metric tons</i>	<i>Million metric tons</i>	<i>Million metric tons</i>
1969/70-1971/72 ..	1,068	1,066	+2
1971/72	1,097	1,096	+1
1972/73	1,131	1,126	+5
1973/74	1,180	1,155	+25
1974/75	1,148	1,185	-37

World disappearance estimates have also been revised since late September (see figure 4). Surveys of the major grain markets indicate that the bulk of this year's cutback in total grain consumption will be concentrated in coarse grain usage in the United States, wheat usage in the USSR and combined wheat, rice and coarse grain usage in South Asia. Exceptionally good crops and small increases in livestock prices, combined with the functioning of the European Community's variable levy as an export tax, will allow the countries of Western Europe to minimize the demand dampening effects of high world market prices; total grain usage is expected to increase 1-1.5 million tons. Continued growth in food grain demand combined with government-supported efforts by large

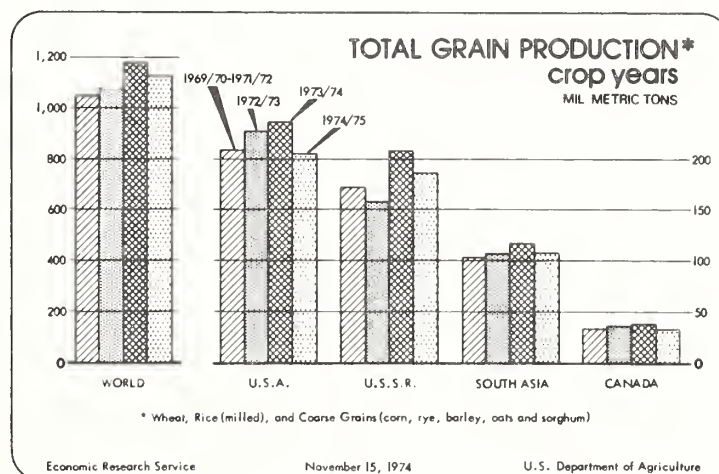


Figure 3

Table 9.--Total world grain production, consumption, and net exports 1/

Region or Country 2/	1969/70-1971/72			1972/73			1973/74			1974/75		
	Production	Consumption	Net exports	Production	Consumption	Net exports	Production	Consumption	Net exports	Production	Consumption	Net exports
	Thousand metric tons	Thousand metric tons	Thousand metric tons	Thousand metric tons	Thousand metric tons	Thousand metric tons	Thousand metric tons	Thousand metric tons	Thousand metric tons	Thousand metric tons	Thousand metric tons	Thousand metric tons
Developed	400,910	374,470	31,900	421,755	398,497	62,340	448,464	398,844	59,554	412,821	376,144	53,409
U.S.	208,733	168,999	39,774	226,996	180,415	73,076	236,343	177,638	73,854	202,147	152,943	58,919
Canada	32,395	20,145	14,840	33,305	20,740	18,845	34,855	21,205	13,060	29,700	20,610	13,795
EC-9	93,396	110,790	-16,614	102,802	117,198	-13,435	105,471	117,561	-13,064	106,663	117,646	-10,072
OME	28,659	33,332	-4,780	29,830	35,848	-5,294	29,681	37,383	-8,962	33,435	38,935	-5,598
South Africa	10,141	7,117	2,454	6,275	7,545	400	13,615	8,310	4,040	11,325	8,400	3,740
Japan	12,685	27,906	-14,414	11,516	29,751	-17,027	11,531	30,331	-19,225	11,681	30,785	-18,960
Australia/New Zealand	14,901	6,231	10,640	11,031	7,000	5,775	17,622	6,416	9,851	17,870	6,825	11,585
Centrally Planned	364,518	380,585	-6,747	367,865	399,754	-32,170	424,571	429,656	-16,413	403,317	424,269	-14,578
Eastern Europe	73,747	81,623	-7,556	85,988	94,228	-8,011	86,187	91,054	-5,293	86,377	92,784	-6,233
Soviet Union 3/	164,971	170,029	3,942	157,437	176,131	-19,604	207,444	200,827	-4,385	186,300	193,450	-1,150
People's Republic of China	125,800	128,933	-3,133	124,440	129,395	-4,555	130,940	137,795	-6,735	130,640	138,035	-7,195
Developing	287,600	306,392	-19,121	287,929	319,963	-23,101	302,869	333,578	-30,613	300,717	333,422	-30,329
Mexico/Central America	15,804	16,972	-1,079	14,604	18,048	-3,314	16,481	19,450	-3,783	15,696	19,999	-3,793
Venezuela	832	1,769	-953	681	2,210	-1,264	688	1,895	-1,208	806	2,115	-1,295
Brazil	21,089	22,620	-852	19,890	23,935	-2,805	22,450	24,285	-2,250	24,040	25,600	-1,300
Argentina	19,292	10,767	8,220	22,832	12,235	10,810	24,548	12,902	11,442	24,608	12,563	12,095
Other South America	7,007	9,134	-2,107	6,565	9,781	3,495	6,760	10,439	-3,464	7,529	10,414	-2,690
North Africa	39,646	48,831	-9,210	44,117	52,918	-8,101	36,913	52,546	-13,928	41,858	56,401	-15,329
Central Africa	15,873	17,738	-1,875	15,775	17,685	-1,950	15,280	17,485	-2,210	15,550	17,450	-2,300
East Africa	7,134	7,105	29	6,664	6,940	-626	8,244	7,799	641	7,610	7,786	-153
South Asia	108,209	113,881	-5,739	108,692	116,987	-5,391	117,366	125,648	-8,113	108,068	118,842	-8,652
Southeast Asia	22,850	19,597	3,228	19,335	18,617	1,198	22,706	19,920	2,502	21,726	18,908	2,810
East Asia	29,864	37,978	-8,444	28,774	40,607	-10,364	31,334	41,155	-10,242	33,226	43,345	-9,722
Rest of world	5,545	7,838	-2,288	5,880	8,305	-2,425	5,565	7,688	-2,123	5,855	8,070	-2,215
Total above	1,058,573	1,106,285	3,744	1,083,429	1,126,419	4,644	1,181,469	1,169,766	10,405	1,122,710	1,141,905	6,287
World total	1,058,573	1,073,024	15,549	1,083,429	1,131,063	26,363	1,181,469	1,180,171	4/	1,122,710	1,148,192	4/

1/ Includes wheat, milled rice and coarse grain (corn, barley, rye, oats, and sorghum).

2/ Regional groupings are made as follows:

Other Western Europe

Austria, Finland, Greece, Iceland, Malta, Norway, Portugal, Spain, Sweden, Switzerland.

Mexico/Central America

Honduras, British Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica, Panama, Dominican Republic, Haiti, Jamaica, Trinidad and Tobago,

Caribbean Islands, Bahamas, Bermuda.

Other South America

Bolivia, Chile, Colombia, Ecuador, French Guiana, Guyana, Paraguay, Peru, Surinam, Uruguay.

North Africa/Middle East

Algeria, Bahrain, Cyprus, Iran, Iraq, Israel, Kuwait, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates.

Central Africa

Angola, Burundi, Cameroon, Central Africa Republic, Chad, Congo, Dahomey, Equatorial Guinea, Ethiopia, French Territory of Afars & Issas, Gabon,

Gambia, Ghana, Guinea, Ivory Coast, Liberia, Malagasy, Mali, Mauritania, Mauritius, Niger, Nigeria, Portuguese Guinea, Neunon, Rwanda, Senegal,

Sierra Leone, Somalia, Spanish Sahara, Togo, Upper Volta, Zaïre.

East Africa

Kenya, Uganda, Tanzania, Zambia, Rhodesia, Malawi, Mozambique.

South Asia

Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, Sri Lanka.

South East Asia

Burma, Rimer, Laos, South Vietnam, Thailand.

East Asia

Indonesia, Hong Kong, Singapore, South Korea, Taiwan, Brunei, Malaysia, and Philippines.

3/ Official data. Production figures refer to grain as threshed, often containing excess moisture and dockage. Trade figures exclude exports donated for aid and assistance.

4/ Conceptually, net world exports are impossible. Differences between world totals for exports and imports are due to statistical discrepancies.

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Table 10.--World wheat and coarse grain ending stocks 1/

	: 1960/61- : 1962/63	: 1969/70- : 1971/72	: : : 1972/73	: : : 1973/74	: : : 1974/75
	:	:	:	:	:
	:	:	-- Million metric tons --	:	:
Wheat Stocks	71.3	80.0	50.7	55.9	48.8
Percent of world wheat consumption	33%	24%	14%	14%	14%
Wheat Stocks Held by Major Exporters 2/	50.2	48.4	22.7	19.3	15.8
Percent of world wheat consumption	23%	15%	6%	4%	4%
Coarse Grain Stocks	94.9	70.0	57.4	52.0	35.2
Percent of world coarse grain consumption	23%	13%	10%	9%	6%
Coarse Grain Stocks Held by Major Exporters	71.4	48.4	37.3	27.7	15.6
Percent of world coarse grain consumption	17%	9%	6%	4%	3%
Total wheat & coarse grain stocks	166.2	150.0	108.1	107.9	84.0
Percent of world wheat & coarse grain consumption	26%	17%	12%	11%	9%
Wheat & coarse grain stocks held by Major Exporters	121.6	96.8	60.0	47.0	31.4
Percent of world wheat & coarse grain consumption	19%	11%	6%	4%	3%

1/ Stock data are based on an aggregate of different local marketing years. Stock data are not available for the U.S.S.R., PRC and parts of Eastern Europe but the world total has been adjusted for estimated year to year changes in the U.S.S.R. Comparable data on rice stocks were not available. See Table 9 for selected country totals.

2/ U.S., Canada, Australia and Argentina.

Source: Foreign Agricultural Service and Economic Research Service.
November 15, 1974

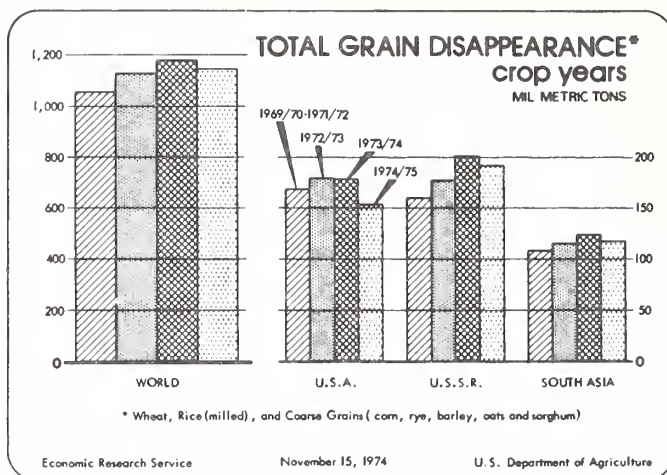


Figure 4

agricultural cooperatives to offset any large drop in feed use by making soft loans available to livestock producers is expected to keep Japanese total grain usage up at about last year's record level. Total grain usage is also expected to increase in Latin America, North Africa, and the Middle East as well as in East Asia due primarily to larger food use but in selected cases to increased feed use as well. Consumption in the less developed countries excluding South Asia is expected to be roughly 187 kilograms per capita compared with 185 kilograms last year. What appears in table 9 to be a drop in usage in the USSR reflects less spoilage and lower moisture content; feed usage is actually expected to increase this year. Last year's bumper crop was harvested during a particularly wet fall and moisture content was unusually high. The estimated moisture content of the 1974 crop is moderately above normal. Preliminary reports set the moisture content of this year's crop at about normal levels. Eastern European and Chinese total grain consumption levels are expected to increase slightly despite roughly the same level of production as last year.

First quarter USDA grain usage data indicate that while the volume of grain used in the United States for food and other non-feed purposes is likely to increase slightly in 1974/75, limited supply and high prices will drastically reduce domestic feed usage. Department estimates set 1974/75 total U.S. grain consumption at 153 million tons or 25 million tons below last year's level. Unlike the American feed cutback, the South Asian cutback will be in food usage—particularly in the low income areas of India and Bangladesh where per capita consumption levels are already precariously low.

Wheat

World wheat production is now estimated at 352 million tons—some 14 million tons below last year's

level and 13 million tons below 1960/61-1973/74 trend. Disappearance estimates adjusted to reflect the dampening effect of short supply and high prices set world demand at 359 million tons. World wheat ending stocks are likely to be 48-49 million tons while the wheat stocks held by the 4 major exporters are expected to be down 3-4 million tons to a 20-year low of 15-16 million tons.

Three major factors continue to shape the wheat situation:

1. *Disappointing wheat crops in the four major exporters as a group.* Total United States, Canadian, Australian and Argentine production is now estimated at 80 million tons—down 2 million tons from last year's record despite a 10 percent increase in area harvested. Yields for the group as a whole fell from 1.83 metric tons per hectare last year to 1.62 tons per hectare this year. Quality is a problem as well as quantity. Roughly a third of this year's Canadian crop will qualify for the two top grades as opposed to over four-fifths last year. Similar weather problems appear to have lowered the quality of the United States spring wheat and, to a lesser extent, durum crops. Problems with rust are expected to affect Australian quality adversely although not to as great an extent as last year. Consumption in the group as a whole is projected at 32.5 million tons or 1 million tons less than in 1973/74 due mainly to lower use for feed in the United States. Export availabilities are expected to be 50-51 million tons comparing favorably with similar 1972/73-1973/74 levels and the long term 30-40 million ton trend of the 1960's.
2. *Lower crops in USSR.* Soviet, Chinese and East European wheat crop estimates remain essentially unchanged from September's

total—down a net 17-18 million tons. According to late October reports of a 5 million ton drop in the Soviet coarse grain crop there is likely to be an additional tightening of the general grain situation causing the Soviets to drawdown wheat stocks accumulated in 1973 and increase their purchases of wheat and coarse grain from Canada, Australia, Argentina, Sweden and other sources.

3. *Further deterioration of the food situation in South Asia.* Preliminary reports from India indicate 1974/75 production of the conventional food grains—wheat, rice (milled), and major coarse grains (corn, barley and sorghum)—will be roughly 77 million tons compared with 85.5 million tons last year. Production of millet and pulses also used for food is expected to fall to 17.0 million tons from 21.0 million tons in 1973/74. Given current world market price relationships and consumer preferences, the 7.5-9.0 million tons of grain India is expected to import will be wheat rather than rice or coarse grain. The situation in Bangladesh is still clouded by conflicting reports. Production shortfalls in rice, however, are expected to push wheat imports up as much as 500 to 600,000 tons above last year's 1.6 million tons depending on funding, shipping arrangements, and to a lesser extent, availability of food aid.

Coarse Grains

The world coarse grain situation is expected to be even tighter than the wheat situation. World coarse grain production for 1974/75 is now estimated at 561 million tons or 42 million tons below last year's level and 26 million tons below the long term trend of the 1960's. Consumption is expected to be down to 577 million tons due primarily to U.S. feeding adjustments. World 1974/75 ending stocks are expected to be 35-35.5 million tons compared with earlier estimates of 50 million tons.

The major factors that continue to shape the world coarse grain situation are:

1. *Further reductions in key U.S. coarse grain crops.* Early November reports set total U.S. coarse grain production at 150 million tons compared with 187 million tons last year. U.S. exports are now expected to be 28 million tons compared with 41 million tons last crop year. Reaching this projected level of exports depends on a drawdown in U.S. coarse grain stocks of 10-11 million tons and a continuation of the cutbacks in domestic use reported in the Department's November *Feed Situation* and *Livestock and Meat Situation*
2. *Weather related drops in Soviet, Canadian, Mexican and East European corn crops.* Poor weather in late September and early October

has dropped coarse grain production outside the United States another 1.2 million tons for a total drop of 5 million tons from last year's level. (Patrick M. O'Brien)

Rice

Major developments in the 1974/75 world rice outlook since September indicate further reduction from last year's output by at least 400,000 metric tons, a decrease in disappearance of at least 100,000 tons, and an increase in exportable supplies contributing to a slight easing of trade prices.

World 1974/75 rice output is now estimated at 209.7 million metric tons (milled), or almost 4 million below trend.

(NOTE: See tables 12 and 13 on pages 32 and 33)

Table 14.—World Rice Production and Trend Estimates

Year	Milled rice production		
	Actual	Trend ¹	Deviations from trend
	Million metric tons	Million metric tons	Million metric tons
1971/72	204.4	201.2	3.2
1972/73	195.3	205.3	-10.0
1973/74	211.2	209.4	1.8
1974/75 (forecast) .	209.7	213.5	-3.8

¹ Trend based on 1960/61-1973/74 production.

Continuation of the weak monsoon in India has now cut rice production prospects to about 40 million tons or 11 percent less than last season. Burma's crop is also much lower. Thailand output, however, is expected to be a record, albeit only 1 percent above 1973/74. Southeast Asia's rice output continues to be forecast as falling about 4.5 percent from last season. South Korea's production is up slightly from the September estimate. Japan is now forecast to exceed last year's output by about 150,000 tons. For total Asia, present indications are for a 1974/75 crop that is 400,000 tons less than the September estimate, to a current forecast of 188.7 million tons, or 2.9 million tons (1.5 percent) below last season. Outside Asia, output will be at least 10 percent from 1973/74. The U.S. rice crop is now expected to be 24 percent higher than in 1973—a record output.

The predicted difference between 1974/75 production and disappearance, a deficit of 1.7 million tons, implies continued pressure on prices and stocks. World stocks are still at a low level, not having fully recovered following the 4 percent decline in 1972 world rice output.

Prices will be high. However, since the previous quarter, some easing of rice trade may be foreseen following upward estimates of Thailand and United

Table 12.--World wheat production, consumption and net exports

Region or Country	1969/70-1971/72			1972/73			1973/74			1974/75		
	Production : : t ion	Consumption : : t ion	Net : : exports	Production : : t ion	Consumption : : t ion	Net : : exports	Production : : t ion	Consumption : : t ion	Net : : exports	Production : : t ion	Consumption : : t ion	Net : : exports
	Thousand metric tons											
Developed	112,005	87,500	28,815	116,805	91,415	45,630	127,960	85,684	44,840	130,230	88,395	45,065
U.S.	40,025	21,900	17,700	42,045	21,815	31,770	46,570	20,604	31,245	48,480	19,425	28,580
Canada	13,900	4,670	11,660	14,515	4,765	15,690	16,460	4,650	11,425	13,435	4,950	11,330
EC-9	36,860	40,660	-3,300	41,435	43,705	-755	41,365	39,915	320	44,270	42,660	1,865
OME	9,885	10,680	-710	9,950	10,490	-230	9,335	9,750	-710	10,980	10,375	270
South Africa	1,460	1,340	-60	1,745	1,475	345	1,835	1,505	425	1,645	1,590	-15
Japan	560	5,255	-4,695	285	5,560	-5,445	200	5,645	-5,325	230	5,790	-5,730
Australia/New Zealand	9,315	2,995	8,220	6,830	3,605	4,255	12,195	3,615	7,460	11,190	3,625	8,765
Centrally Planned	142,900	154,495	-3,735	144,640	167,470	-22,630	169,240	169,025	-9,225	151,555	164,725	-9,220
Eastern Europe	26,260	31,075	-4,620	30,645	34,590	-3,745	31,560	35,040	-3,920	33,855	36,530	-2,725
Soviet Union 1/	92,305	95,670	4,800	85,995	99,595	-13,600	109,680	100,080	600	90,000	93,000	1,000
People's Republic of China ..	23,835	27,750	-3,915	28,000	33,285	-5,285	28,000	33,905	-5,905	27,700	35,195	-7,495
Developing	64,171	85,070	-22,126	73,261	97,195	-21,710	69,483	100,926	-29,492	69,620	100,195	-30,449
Mexico/Central America	2,060	2,910	-811	1,745	3,270	-1,425	2,038	3,558	-1,584	2,238	3,778	-1,622
Venezuela	1	710	-710	1	690	-635	1	580	-580	1	600	-600
Brazil	1,785	3,780	-1,830	800	3,825	-2,965	1,930	4,200	-2,810	2,500	4,800	-2,240
Argentina	5,875	4,170	1,685	6,900	4,110	2,875	6,700	4,500	2,000	6,500	4,550	2,000
Other South America	1,940	3,800	-1,840	1,260	4,195	-2,915	1,390	4,295	-2,840	1,780	4,150	-2,325
North Africa/Middle East ...	20,510	28,300	-7,970	24,470	31,035	-6,300	19,865	31,515	-10,370	22,361	33,365	-11,665
Central Africa	860	1,955	-1,105	940	2,035	-1,140	865	2,110	-1,250	770	2,130	-1,415
East Africa	310	605	-270	285	665	-320	263	710	-440	245	700	-455
South Asia	30,445	34,050	-4,750	36,565	42,135	-4,035	36,218	44,688	-6,619	33,025	41,163	-7,440
South East Asia	35	430	-395	50	535	-475	50	463	-410	50	469	-415
East Asia	350	4,360	-4,130	245	4,700	-4,375	163	4,307	-4,589	150	4,490	-4,272
Rest of world	315	2,165	-1,850	355	2,260	-1,905	370	1,910	-1,540	370	2,015	-1,645
Total above	319,391	329,230	1,104	335,061	358,240	-615	367,053	357,545	4,583	351,775	355,330	3,751
World total	319,391	330,334		335,061	358,240		367,053	361,609	2/	351,775	359,081	2/

1/ Official data. Production figures refer to grain as threshed, often containing excess moisture and dockage. Trade figures exclude exports donated for aid and assistance.

2/ Conceptually, net world exports are impossible. Differences between world totals for exports and imports are due to statistical discrepancies.

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Table 13.---World coarse grain production, consumption and net exports 1/

Region or Country	1969/70-1971/72				1972/73				1973/74				1974/75			
	Produc- tion	Consump- tion	Net exports		Produc- tion	Consump- tion	Net exports		Produc- tion	Consump- tion	Net exports		Produc- tion	Consump- tion	Net exports	
	Thousand metric tons				Thousand metric tons				Thousand metric tons				Thousand metric tons			
Developed	273,324	272,485	982		290,195	292,640	14,668		299,470	299,470	12,935		266,235	274,065	6,260	
U.S.	165,830	145,785	20,355		182,130	157,415	39,535		155,815	155,815	40,970		149,865	137,280	28,210	
Canada	18,495	15,415	3,240		18,790	15,920	3,210		16,505	16,505	1,685		16,265	15,610	2,520	
EC-9	55,875	69,330	-13,225		60,810	72,720	-12,455		63,330	76,775	-13,365		61,675	74,275	-11,900	
OWE	18,324	22,135	-4,003		19,485	24,900	-5,002		19,320	27,145	-8,175		22,005	28,055	-5,805	
South Africa	8,680	5,700	2,590		4,520	5,975	-140		11,770	6,710	3,700		9,670	6,710	3,845	
Japan	725	10,945	-10,265		405	12,355	-12,130		13,760	13,760	-14,110		275	13,985	-13,280	
Australia/New Zealand	5,395	3,175	2,290		4,055	3,355	1,370		5,240	2,760	+2,230		6,480	3,150	+2,670	
Centrally Planned	151,310	156,085	-3,315		155,350	165,200	-10,695		183,985	190,220	-8,185		180,245	188,815	-6,310	
Eastern Europe	47,340	50,145	-2,680		55,180	59,270	-4,025		54,465	55,645	-1,130		52,345	55,885	-3,280	
Soviet Union 2/	71,335	73,210	-340		70,370	75,360	-5,900		96,620	99,545	-4,925		95,000	99,030	-2,030	
China	32,635	32,730	-95		29,800	30,570	-770		32,900	35,030	-2,130		32,900	33,900	-1,000	
Developing	109,480	104,220	5,400		107,365	108,805	1,105		114,124	111,219	2,722		114,670	111,909	3,491	
Mexico/Central America	13,025	13,210	-135		12,215	14,075	-1,810		13,780	15,105	-2,065		12,785	15,400	-2,040	
Venezuela	700	945	-260		515	1,340	-630		415	1,115	-700		530	1,295	-750	
Brazil	14,555	14,135	910		14,240	15,110	-20		15,420	14,885	540		16,240	15,400	840	
Argentina	13,185	6,435	6,465		15,735	7,955	7,905		17,635	8,230	9,400		17,840	7,835	10,005	
Other South America	3,665	4,055	-390		3,820	4,150	-535		3,805	4,550	-730		4,155	4,745	-530	
North Africa/Middle East	16,330	17,705	-1,220		16,980	18,730	-1,365		14,655	17,510	-2,525		16,795	19,100	-2,350	
Central Africa	12,145	12,220	-75		11,945	12,160	-210		11,320	11,580	-260		11,670	11,510	-185	
East Africa	6,610	6,265	-20		6,160	6,045	935		7,765	6,917	+1,092		7,150	6,860	+313	
South Asia	20,175	20,625	-105		18,205	19,215	-920		19,709	21,449	-1,647		17,704	19,265	-1,417	
South East Asia	2,280	475	1,780		1,615	570	1,050		2,751	631	+2,277		2,231	665	+2,040	
East Asia	6,810	8,150	-1,550		5,935	9,455	-3,295		6,868	9,247	-2,660		7,070	9,834	-2,435	
Rest of world	115	315	-195		125	300	-175		125	418	-293		125	415	-290	
Total above	534,229	533,105	2,872		553,035	566,945	4,903		603,264	601,327	2,769		561,275	575,204	3,151	
World total	534,229	535,977	3/		553,035	571,848	3/		603,264	604,096	3/		561,275	577,103	3/	

1/ Includes corn, barley, rye, oats, and sorghum.

2/ Official data. Production figures refer to grain as threshed, often containing excess moisture and dockage. Trade figures exclude exports donated for aid and assistance.

3/ Conceptually, net world exports are impossible. Differences between world totals for exports and imports are due to statistical discrepancies.

November 15, 1974

Table 15.--World milled rice production, disappearance and net trade 1/

Country and region	1960/61-1962/63			1969/70-1971/72			1972/73			1973/74			1974/75		
	Prod- uction	Disap- pearance	Net exports	Prod- uction	Disap- pearance	Net exports	Prod- uction	Disap- pearance	Net exports	Prod- uction	Disap- pearance	Net exports	Prod- uction	Disap- pearance	Net exports
	Thousand metric tons														
Developed	14,593	14,222	371	15,581	14,485	2,103	14,755	14,442	2,042	15,474	13,690	1,779	16,356	13,684	2,084
United States	1,867	845	1,022	2,878	1,314	1,719	2,821	1,185	1,771	3,073	1,219	1,639	3,801	1,258	2,229
Canada	--	31	--	--	60	-60	--	55	-55	--	50	-50	--	50	-55
EC 9	584	784	-200	661	750	-89	557	773	-225	722	871	-19	718	711	-37
Other Western Europe:	439	604	-165	450	517	-67	395	458	-62	426	488	-77	450	505	-63
South Africa	1	52	-51	1	77	-76	10	95	-85	10	95	-85	10	100	-90
Japan	11,613	11,866	-253	11,400	11,706	546	10,826	11,836	548	11,056	10,926	210	11,177	11,010	50
Australia & New Zealand	89	40	49	191	61	130	146	40	150	187	41	161	200	50	150
Centrally Planned	55,280	54,781	499	70,308	70,005	303	67,875	67,084	1,155	71,346	70,411	997	71,517	70,729	952
East Europe	90	338	-248	147	403	-236	163	368	-241	162	369	-243	177	369	-228
U.S.S.R.	159	335	-176	831	1,149	-318	1,072	1,176	-104	1,144	1,202	-60	1,300	1,420	-120
China	55,031	54,108	923	69,330	68,453	877	66,640	65,540	1,500	70,040	68,840	1,300	70,040	68,940	1,300
Developing	89,249	89,603	-354	119,064	122,460	-2,639	112,703	119,708	-2,841	124,332	126,793	-4,133	121,787	126,958	-3,651
Mexico/Central America	486	573	-87	719	852	-133	644	703	-79	663	787	-134	673	821	-131
Venezuela	47	53	-6	131	114	17	165	180	1	272	200	72	275	220	55
Brazil	3,569	3,505	64	4,749	4,705	68	4,850	5,000	180	5,100	5,200	20	5,300	5,400	100
Argentina	117	95	22	232	162	70	197	170	30	213	172	42	268	178	90
Other South America :	961	960	1	1,402	1,279	123	1,485	1,436	45	1,565	1,594	106	1,594	1,519	165
No. Africa/Middle East	1,724	1,756	-32	2,806	2,826	-20	2,667	3,153	-436	2,493	3,521	-1,033	2,702	3,936	-1,314
Central Africa	1,971	2,407	-436	2,868	3,563	-695	2,890	3,490	-600	3,095	3,795	-700	3,110	3,810	-700
East Africa	144	167	-23	214	235	-21	219	230	-11	215	226	-11	215	226	-11
South Asia	45,752	46,617	-865	57,589	59,206	-884	53,922	55,637	445	61,438	59,511	153	57,339	58,413	205
Southeast Asia	15,844	12,463	3,381	20,535	18,692	1,843	17,670	17,512	623	19,905	18,826	635	18,945	17,774	1,185
East Asia	14,217	16,378	-2,161	22,704	25,468	-2,764	22,594	26,452	-2,694	24,303	27,601	-2,993	26,006	29,021	-3,015
Rest of world	4,417	4,629	-212	5,115	5,358	-243	5,400	5,745	-345	5,070	5,360	-290	5,360	5,640	-280
World total	159,122	158,606	516	204,953	206,950	-233	195,333	201,234	356	211,152	210,894	-1,357	209,660	211,371	-615

1/ Production primarily in initial calendar year combined with trade in the following year to get disappearance in year shown. Disappearances estimates include the effect of stock variations.

States crops. The further reduction of the Burma crop may be discounted for trade, because Burma's exports have been minimal in recent years and this year's shortfall will affect mainly disappearance and stocks, not exports. The lower estimate for India will be made up by lower consumption, stock drawdowns, or imports of cheaper grains. The estimated higher output for Japan will be absorbed by increased consumption. More upward pressure on prices will be felt from larger Middle East rice purchases than indicated in the

prior quarter, but on balance, export prices will soften somewhat from earlier indications. The price of Thai rice 5 percent broken f.o.b. Bangkok—an indicator of world price trends—was down \$600 a ton in early 1974 and receded to \$460 in November. Rice prices may average below \$500 a ton in 1975, but would still be high by any standard except 1974. The average annual price was \$148 a ton in 1972, \$350 in 1973 and will surely average over \$500 in 1974. (Robert D. Barry)

WORLD MEAL AND OIL SITUATION TIGHTENS FURTHER

The September 1974 issue of the World Agricultural Situation concluded that the supply demand balance for edible vegetable oils and protein meals would be very tight during 1975. In late November, the situation looked even tighter because events since early September have been unfavorable for the U.S. and Canadian soybean crops. For the United States, based on conditions existing on November 1, soybean production is estimated at 33.9 million tons. That is about 2 percent below the September 1 estimate and 20 percent below production in 1973. On the positive side, West African peanut production prospects have improved since September. The increase, however, was very small.

The effects of that decrease on U.S. and on the world supply situation for edible oils and protein meals are presented in tables 16 and 17.

For world meal supplies, the major change since September is the effect of further deterioration in the U.S. soybean crop, equivalent to nearly 1.5 million tons of soybean meal. In addition, the estimate of U.S. cottonseed production also has been revised downward slightly. Outside the United States, oilseed production is expected to be down (from the September estimate) in Canada and East Europe due to unfavorable weather conditions. For the whole world, meal production

estimates have been reduced over 2 million tons, roughly equivalent to nearly 200 million bushels of soybeans.

Compared to last year, world meal production is down nearly 6 million tons at the world level. The production decrease is due almost entirely to the smaller U.S. soybean crop as compared with the record 1973/74 crop. However, in a longer term perspective soybean production is expected to be only about 1.0 million tons below the 1960/61-1973/74 trend estimate for 1974/75 (figure 5).

Meal consumption estimates have not changed as much as those of production. Estimated U.S. consumption is down 0.8 million tons from the September estimate. For Canada the comparable estimate is down 0.2 million tons. Both estimates reflect the prevailing unfavorable price relationships between feedstuffs and animal products. Estimated consumption in East Europe was revised downward to reflect the smaller production estimates.

For edible oil, estimated production has been revised downward by nearly 0.5 million tons from the September estimate. Again, the U.S. soybean crop was responsible for most of the decline.

Estimated edible vegetable oil consumption in the United States has been reduced by 0.2 million tons.

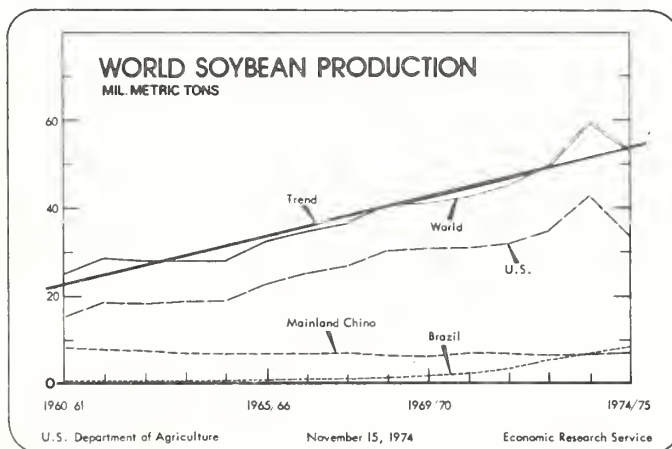


Figure 5

Other regions were changed to reflect the reduced production estimates.

For both world meal and oil, reduced estimates of production were not matched by reduced estimates of consumption. In fact for both, consumption changes are only half the production changes. Thus, the estimates indicate a further tightening within the edible oils and meals complex.

UNCERTAINTY IN THE WORLD MEAT ECONOMY

Outlook for the world meat economy is uncertain because of low producer prices, rising production in major importing regions especially of beef, and growing pressure for reducing competition from imported meat.

Dynamic centers of the commercial meat economy, the United States and European Community, together accounted for 38 percent of world consumption and 36 percent of production in 1970. Beef production peaked in the EC in 1971 and in the United States in 1972. These were years of rising consumer income, retail and producer prices. Imports were expanded to contain inflation. Delayed response to the resulting high prices brought 1974 beef output above 1972 levels and a further increase is likely for 1975. EC pork output failed to grow in 1972 and 1973 while U.S. output fell sharply both years. In 1974 however, U.S. pork output is up 9 percent and the EC rising trend has resumed. In FY 1974 producer prices of hogs and cattle dropped as slaughter rose sharply from 1973. Surplus-removal purchases of beef occurred in both the United States and the EC. Low dairy prices in relation to beef prices in the EC encourage culling of dairy herds and add to current beef output.

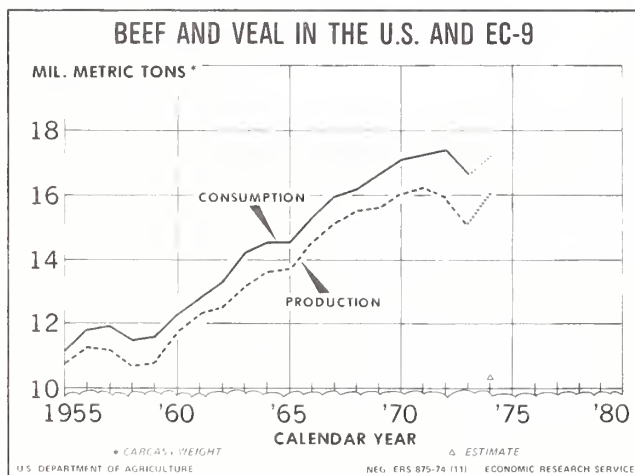


Figure 6

Developments outside agriculture have cast doubt on the continued upward trend of real consumer income, and high prices of grain, soybeans, other feeds, and fuel are a threat to real income of livestock

Despite the tighter situation, international prices for oilseeds have not shown a clear pattern since the last report. September prices were below the August average; however, the October average was up again. The lack of a clearly defined movement probably reflects the great uncertainty as to how continued economic problems will affect demand for both meals and oils. (Arthur Coffing and Charles Goode)

producers. They are in a cost squeeze with low product and high input prices. In both regions, downward inflexibility of retail prices and rising marketing margins limit consumer purchases.

Governments face intense pressure from domestic producers to reduce competition from imported meat. The EC system has pinched 1974 beef imports to one percent of domestic consumption, down from 13 percent in 1973. Such measures seriously threaten exports of such countries as Argentina, New Zealand, and Australia.

The European Community regulates domestic beef market prices by means of target prices and a system of fixed duties and fluctuating import charges called variable levies. Target or guide prices are set annually to establish normality for planning production. A goal of policy is to maintain domestic prices near the target levels. When this goal is threatened by low international prices, levies are imposed, calculated as the difference between target prices and appropriate international prices. As international prices change or new target prices are set, levies are recalculated, justifying the term variable levy. When domestic prices are very high, as happened with beef in 1972 and early 1973, variable levies may be used only seasonally or suspended altogether, as were ad valorem duties. When domestic prices are low, as in late 1973 and 1974, part levies and then full levies may be reinstated as well as ad valorem duties; then quotas may be imposed, and finally outright curtailment of imports.

The EC system also provides for government intervention in domestic markets to purchase and freeze for storage quantities of meat to keep prices from collapsing. These stocks may be used for price stabilization and possibly for subsidized exportation or donation. Meat freezing and storage facilities are reported nearly full, with much meat deboned. In the case of beef, EC regulatory prices are set by direct international comparison. Pork, poultry, and egg prices are derived from grain prices by means of administratively determined grain-to-meat input-output conversion factors.

The United States seeks to normalize domestic markets without unduly disrupting international production and trade by allowing foreign production a fixed share of the U.S. domestic market. Annual permissible imports—called quota quantities—are estimated as a fixed percentage of domestic beef, veal,

Table 16.--World edible oil production, net trade and availability (oil equivalent basis),
for 1969-71 average, 1972, 1973, 1974, and forecast for 1975 1/

Country or region	1969-71 Average			1972			1973 2/			1974 3/			1975 4/		
	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance
	Million metric tons														
Developed															
United States 5/	6.11	2.22	3.87	6.31	2.40	4.10	6.93	2.45	4.23	8.26	3.05	4.44	6.76	2.55	4.47
Canada	0.33	0.14	0.20	0.73	0.45	0.28	0.53	0.35	0.18	0.47	0.28	0.19	0.42	0.17	.25
EC-9	0.79	-3.07	3.86	0.76	-3.43	4.19	0.78	-3.50	4.28	0.87	-3.66	4.53	0.94	-3.77	4.70
O-W. Europe	0.82	-0.35	1.20	1.02	-0.57	1.58	0.97	-0.40	1.26	0.90	-0.43	1.33	1.00	-0.38	1.40
Japan	0.03	-0.73	0.75	0.02	-0.90	0.91	0.01	-1.06	1.06	0.01	-1.03	1.04	0.01	-1.12	1.13
Aust. & N.Z.	0.02	-0.05	0.07	0.08	-0.02	0.10	0.06	-0.03	0.08	0.04	-0.06	0.10	0.04	-0.06	0.10
South Africa	0.12	0.03	0.09	0.14	0.02	0.11	0.11	0.00	0.11	0.21	0.06	0.15	0.21	0.05	0.16
Total	8.23	-1.82	10.01	9.04	-2.04	11.27	9.37	-2.17	11.20	10.76	-1.79	11.78	9.40	-2.56	12.20
Central Plan															
East Europe	0.90	0.02	0.88	1.04	-0.04	1.07	1.04	-0.04	1.08	1.02	-0.02	1.04	1.02	0.03	0.99
U.S.S.R.	3.04	0.50	2.53	2.86	0.33	2.53	2.61	0.26	2.35	3.53	0.52	3.01	3.37	0.56	2.82
P.R. China	1.45	0.08	1.25	1.43	-0.04	1.50	1.67	0.01	1.34	1.67	-0.11	1.46	1.40	0.04	1.66
Total	5.40	0.61	4.66	5.33	0.25	5.10	5.37	0.23	4.76	6.22	0.39	5.51	5.79	0.63	5.16
Less Developed															
Mexico & Cent. Am.	0.38	-0.16	0.55	0.40	-0.10	0.50	0.42	-0.13	0.55	0.44	-0.27	0.70	0.43	-0.32	0.76
Brazil	0.68	0.04	0.64	1.02	0.31	0.71	1.28	0.48	0.80	1.50	0.66	0.84	1.67	0.71	0.96
Argentina	0.41	0.10	0.31	0.37	0.10	0.27	0.50	0.15	0.35	0.55	0.16	0.38	0.53	0.18	0.35
O.S. America	0.24	-0.13	0.36	0.26	-0.17	0.43	0.25	-0.17	0.43	0.26	-0.18	0.44	0.27	-0.19	0.46
North Africa	0.48	-0.15	0.62	0.52	-0.08	0.61	0.61	-0.08	0.69	0.52	-0.19	0.72	0.62	-0.12	0.74
Central Africa	2.59	0.96	1.62	2.75	0.90	1.85	2.75	0.90	1.85	2.75	0.80	1.95	2.98	0.97	2.01
West Asia	0.47	-0.23	0.70	0.63	-0.29	0.85	0.63	-0.29	0.85	0.76	-0.28	1.04	0.67	-0.32	0.99
South Asia	2.45	-0.13	2.58	2.89	-0.10	2.99	2.20	-0.10	2.30	2.78	-0.12	2.90	2.54	-0.13	2.67
South east Asia	0.13	-0.01	0.14	0.15	-0.01	0.16	0.18	-0.01	0.19	0.18	-0.01	0.19	0.19	-0.01	0.20
East Asia, Pac.	2.51	1.24	1.27	3.40	1.90	1.50	3.56	1.80	1.75	3.57	1.83	1.74	3.93	2.11	1.81
Total	10.34	1.54	8.80	12.37	2.46	9.92	12.37	2.55	9.75	13.31	2.40	10.90	13.83	2.88	10.95
Grand total	23.96	0.34	23.48	26.74	0.66	26.28	27.11	0.61	25.72	30.26	9.9	28.19	29.30	0.96	28.60
Grand total Less U.S.	17.85	-1.88	19.60	20.43	-1.73	22.18	20.18	-1.84	21.49	22.00	-2.09	23.75	22.53	-1.60	24.13

1/ Includes soybean oil, cottonseed oil, peanut oil, sunflower oil, sesame oil, coconut oil, palm oil, palm kernel oil, and olive oil.

2/ Preliminary

3/ Partially forecast

4/ Forecast

5/ U.S. disappearance estimates include the effect of stock variations.

Table 17.--World oilseed and fishmeal production, trade and availability, (meal equivalent basis),
1969-71 average, 1972, 1973, 1974, and forecast 1975 1/

Country or region	1969-71 Average				1972				1973 2/				1974 3/				1975 4/			
	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Production	Net exports	Disappearance	Production
Million metric tons																				
Developed	25.4	11.6	14.6	26.5	12.9	15.0	28.6	14.8	13.8	34.4	17.9	15.3	27.9	15.3	14.7	15.3	14.7	15.3	14.7	15.3
United States 5/	1.3	0.4	0.9	1.9	0.9	0.9	1.4	0.8	0.8	1.3	0.7	0.9	1.1	0.4	0.8	1.1	0.4	0.8	0.8	1.1
Canada	1.1	-12.5	13.6	1.2	-14.2	15.4	1.2	-13.7	15.0	1.2	-14.6	15.8	1.3	-14.7	16.0	1.3	-14.7	16.0	16.0	1.3
EC-9	1.0	-1.9	2.9	1.2	-2.2	3.3	1.0	-2.3	3.2	1.1	-2.4	3.5	1.1	-2.4	3.6	1.1	-2.4	3.6	3.6	1.1
O.W. Europe	1.0	-2.7	3.8	1.1	-2.9	4.1	1.1	-3.5	4.7	1.0	-3.2	4.3	1.1	-3.2	4.7	1.1	-3.6	4.7	4.7	1.1
Japan	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.3	0.1
Aust. & N.Z.	0.7	--	0.3	0.4	0.2	0.4	0.6	0.2	0.4	0.7	0.3	0.5	0.7	0.2	0.5	0.7	-0.2	0.5	0.5	0.7
South Africa	30.7	-4.9	36.3	32.6	-5.4	39.4	34.0	-3.8	38.1	40.0	-1.5	40.5	33.3	-5.0	40.7	33.3	-5.0	40.7	40.7	33.3
Total	1.3	-1.2	2.5	1.6	-2.8	4.4	1.5	-3.2	4.7	1.5	-3.2	4.7	1.5	-3.3	4.8	1.5	-3.3	4.8	4.8	1.5
Central Plan	5.6	--	5.6	5.7	-0.3	6.0	5.2	-0.5	5.8	6.5	-0.1	6.5	6.4	-0.4	6.9	6.4	-0.4	6.9	6.9	6.4
East Europe	4.2	0.2	3.6	4.2	-0.2	4.0	4.7	--	4.1	4.7	-0.5	4.6	4.7	0.2	4.5	4.7	0.2	4.5	4.5	4.7
U.S.S.R.	11.1	-0.9	11.7	11.5	-3.3	14.4	11.4	-3.7	14.6	12.7	-3.8	15.9	12.6	-3.5	16.2	12.6	-3.5	16.2	16.2	12.6
P.R. China	0.8	-0.1	0.9	0.8	-0.1	0.9	0.8	-0.1	0.9	0.9	-0.3	1.2	0.9	-0.3	1.2	0.9	-0.3	1.2	1.2	0.9
Less Developed	1.8	1.1	0.7	3.3	2.6	0.7	4.4	3.1	1.2	5.4	4.1	1.3	6.1	4.5	1.5	6.1	4.5	1.5	1.5	6.1
Mexico & Cent. Am.	1.0	0.8	0.2	0.8	0.5	0.3	1.1	0.7	0.4	1.3	0.9	0.4	1.3	0.9	0.4	1.3	0.9	0.4	0.4	1.3
Brazil	3.7	2.9	0.8	3.0	2.6	0.4	1.2	0.6	0.6	2.5	1.8	0.6	3.1	2.3	0.7	3.1	2.3	0.7	0.7	3.1
Argentina	0.7	0.3	0.4	0.8	0.3	0.5	0.8	0.3	0.4	0.7	0.3	0.4	0.8	0.3	0.5	0.8	0.3	0.5	0.5	0.8
O.S. America	2.1	1.4	0.7	2.3	1.3	1.0	2.3	1.3	1.0	2.2	1.2	1.0	2.4	1.4	1.0	2.4	1.4	1.0	1.0	2.4
North Africa	0.7	0.1	0.7	0.8	0.2	0.7	0.9	0.2	0.7	0.9	0.2	0.7	0.9	0.2	0.7	0.9	0.2	0.7	0.7	0.9
Central Africa	4.8	0.8	4.0	5.7	0.7	5.0	4.6	1.0	3.6	5.5	1.1	4.4	5.1	0.9	4.2	5.1	0.9	4.2	4.2	5.1
West Asia	0.2	0.1	0.1	0.3	0.1	0.2	0.3	0.1	0.1	0.3	0.1	0.1	0.3	0.1	0.2	0.3	0.1	0.2	0.1	0.3
South Asia	1.5	--	1.5	1.9	0.1	1.7	1.9	0.1	1.8	1.9	0.1	1.8	2.0	0.1	1.9	2.0	0.1	1.9	1.9	2.0
Southeast Asia	17.3	7.4	9.9	19.6	8.4	11.3	18.2	7.4	10.8	21.5	9.5	12.0	22.9	10.5	12.3	22.9	10.5	12.3	12.3	22.9
East Asia, Pac.	59.1	1.6	58.0	63.7	-0.3	65.0	63.6	-0.1	63.4	74.5	4.1	68.3	68.7	2.0	69.6	68.7	2.0	69.6	69.6	68.7
Total	33.7	-10.0	43.4	37.2	-13.2	50.1	35.0	-14.9	49.6	39.0	-13.8	53.0	40.8	-13.3	54.8	40.8	-13.3	54.8	54.8	40.8
Grand total																				
Grand total Less U.S.																				

1/ Oilseed meals include those from soybeans, cottonseed, peanuts, rapeseed, sunflower, linseed, sesame, copra, and palm kernels. Fishmeal data is adjusted by a factor of 1.5 to reflect its higher protein content.
 2/ Preliminary
 3/ Partially forecast
 4/ Forecast
 5/ U.S. disappearance estimates include the effect of stock variations.

Table 18.--Selected international prices for soybeans and oilseeds products, annual 1969-73, monthly averages
July-December 1973 and monthly averages January-October 1974 ^{1/}

Year and month	Soybeans 2/	Soybean meal 3/	Peanut meal 4/	Fishmeal 5/	Soybean oil 6/	Peanut oil 7/	Sunflower oil 8/	Palm oil 9/	Coconut oil 10/
Annual Averages									
1969	103	95	117	211	282	333	261	171	366
1970	117	103	131	291	293	341	368	279	378
1971	126	102	116	186	304	451	373	266	358
1972	140	129	142	239	252	418	325	215	249
1973	290	302	300	542	465	540	481	395	503
Monthly Averages									
1973									
July	330	549	457	549	n.q.	558	567	482	238
August	331	330	368	526	741	591	591	557	573
September	266	218	289	506	n.q.	536	498	n.q.	491
October	245	207	240	469	n.q.	524	562	422	617
November	239	223	258	615	n.q.	576	577	470	718
December	254	243	306	680	667	785	770	583	1,068
1974									
January	261	221	224	588	805	1,148	773	633	11/ 1,110
February	271	203	210	518	859	1,004	738	650	11/ 1,205
March	265	200	230	402	727	1,129	850	710	11/ 1,266
April	235	172	157	391	731	1,113	897	613	11/ 1,150
May	230	158	154	405	784	1,103	997	611	11/ 996
June	228	142	146	325	811	1,064	970	610	11/ 1,039
July	276	163	144	280	911	1,017	965	639	11/ 1,007
August	320	197	179	307	n.q.	1,094	1,009	721	11/ 1,053
September	303	184	173	279	n.q.	1,047	1,011	714	11/ 826
October	335	210	196	317	n.q.	1,122	1,160	799	11/ 875

n.q. = No quotation.

1/ Nearest forward shipment. 2/ U.S. no. 2, bulk, c.i.f. Rotterdam. 3/ U.S. 44 percent, c.i.f. Rotterdam. 4/ Nigerian 54 percent, c.i.f. U.K.
5/ Peru 65 percent, c.i.f. Hamburg. 6/ U.S. crude, c.i.f. Rotterdam. 7/ Nigerian/Gambia 3-5 percent, c.i.f. U.K. 8/ Any origin, Ex-tank, Rotterdam.
9/ Malaysian 5 percent bulk, European ports, U.K. 10/ Sri Lanka, 1 percent bulk, c.i.f. European ports. 11/ Philippines/Indonesia, c.i.f. Rotterdam.

Source: Oilworld Weekly, Hamburg, West Germany. Monthly Bulletin of Agricultural Economics and Statistics, FAO, Rome.

mutton, and goat production. Comparison of the import trade estimates with the calculated quota quantities are published quarterly. When they exceed quota quantities by 10 percent—the trigger quantity—import quotas are proclaimed. The Meat Import Law (PL 88-482) of August 1964 provides a means of suspending or increasing the import quotas, when it is in the economic or national interest, to stabilize domestic markets, or in respect for existing trade agreements. The calculation of the quota quantity—the basic element in the U.S. system—is keyed to the change in commercial production of a given year: the average of estimated commercial production for that year and the two preceding years, as compared with average commercial production for 1959 through 1963.

Against the background of continuous determination of quota quantities which may become proclaimed import quotas, the United States negotiates, as required or appropriate, programs of voluntary restraint of meat shipment to the United States. During much of the life of the program, imports have been between quota quantity and trigger amounts. Since mid-1972 quotas have been reviewed and suspended in the interest of containing inflation, and with the situation reevaluated every three months. The Law applies to chilled and frozen beef, veal, mutton, and goat meat.

Japan, not a traditionally large meat importer, but faced with heavy balance of payments losses, is curtailing foreign exchange outlay. Meat import quotas, instead of doubling annually, as they seemed about to, have been cut in half this year, and the opening of new beef import quotas is very uncertain in amount

and frequency.

Canada, like other importers, fears being turned into a dumping ground for the world's excess beef to the ruin of the domestic beef industry. Canada also pleads that some imported beef is unsafe, has banned imports briefly from the United States, citing use of diethylstilbestrol (DES) as a reason, then imposed an import quota instead. Negotiations are intricate, and at this writing, the United States has announced a retaliatory import quota on Canadian meat: 17,000 head of cattle; 50,000 head of swine; 17 million pounds of beef; and 36 million pounds of pork. The quota is for the year beginning August 12, 1974.

Argentina has continuous negotiations with the EC authorities over their unilateral restrictions of beef imports and has registered formal protests. Production is reported steady, but prices are low. Exports are down from last year, and domestic consumption of beef is rising. Herds are expanding. Continuing good weather is permitting an unusual buildup. Ranchers are under no strong pressure to sell.

In Australia and New Zealand prices are down, and production seems to be held voluntarily to within the all-important U.S. trigger levels. As in Argentina, prices are low, weather is good, herds are growing, and no strong selling pressure has developed.

In the United States, low beef prices and high grain and feed prices have the fed cattle industry in a cost bind with a sizeable inventory of cattle to be worked off. But beef output is rising and will continue to grow in 1975. Imports for 1974 are down from last year. Pork production will be about 10 percent above 1973 output but will drop sharply next year. (Donald W. Regier)

MILK PRODUCTION HIGHLIGHTS

Milk production in calendar year 1974 in the world's major dairy regions is expected to increase about 2 percent. Improved weather conditions and generally favorable prices are responsible for the recovery from last year's low yields and reduced growth in production. One of the few countries still likely to remain below 1973 levels is the United States. A significant increase in September's production in addition to further gains in October probably are not enough to prevent an annual decline of about 1 percent for 1974. Canadian production is expected to about equal the 1973 level. The EC will continue its production expansion of recent years with an increase of 2.5 million metric tons or a gain of 2.5 percent over 1973. Recent reports indicate that production in New Zealand during the 1974/75 will be about the same as last season's output. Australian production may show a small decline which reflects earlier adverse weather and the ongoing restructuring of the dairy industry. The estimates for the USSR and Eastern Europe show a 3 percent increase over 1973. Other Western Europe is

estimated to have a slight decline in production with a decrease in Sweden not quite being offset by an increase in Greece.

Situation and Outlook in Principal Dairy Markets

Favorable pastures, reduced herd culling, and more available corn silage are responsible for recent milk production increases in the *United States*. The October increase of about 2 percent from a year ago was the fourth consecutive monthly gain this year. Not since late 1972 had production shown a monthly increase over the previous year. These gains may be short-lived, however, as rising feed prices will likely limit milk output this winter.

The market for dairy products in the United States went through a cycle during the past year. With production falling and dairy product supplies tight, prices rose sharply in late 1973 and early 1974. However, during the spring and summer months increasing supplies of dairy products relative to demand caused prices to fall more than the normal

Table 19.--Cow milk production in selected countries, calendar 1969-74

Country or Region	1969	1970	1971	1972	1973 <u>1/</u>	1974 <u>2/</u>
-- <u>Million metric tons</u> --						
Developed countries:						
Canada	8.5	8.3	8.1	8.0	7.7	7.7
United States	52.7	53.1	53.8	54.4	52.4	<u>3/</u> 52.0
EC-9	92.0	91.2	91.5	95.5	96.2	98.7
Belgium	4.1	3.8	3.8	4.0	4.0	4.2
Denmark	4.9	4.6	4.6	4.8	4.9	5.0
France	27.7	27.3	27.6	28.8	29.6	30.7
Luxembourg .....	.2	.2	.2	.2	.2	.2
Germany, West	22.2	21.9	21.2	21.5	21.3	21.6
Ireland	3.7	3.6	3.7	3.9	4.1	4.3
Italy	9.1	9.2	9.3	9.7	9.0	9.0
Netherlands	8.0	8.2	8.4	9.0	9.3	9.9
United Kingdom <u>4/</u>	12.1	12.4	12.7	13.6	13.8	13.8
Austria	3.3	3.3	3.3	3.3	3.3	3.3
Finland	3.5	3.3	3.2	3.3	3.1	3.1
Greece .....	.6	.6	.6	.6	.7	.7
Norway	1.8	1.7	1.7	1.8	1.8	1.8
Spain <u>5/</u>	3.6	3.6	3.6	3.8	4.0	4.0
Sweden	3.2	3.0	2.9	3.0	3.0	2.9
Switzerland	3.2	3.1	3.2	3.2	3.3	3.3
South Africa	2.9	2.8	2.8	2.8	2.8	2.8
Japan	4.5	4.8	4.8	4.9	4.9	4.8
Australia <u>3/ 6/</u>	7.7	7.5	7.3	7.3	7.2	7.0
New Zealand <u>3/ 6/</u>	6.3	6.0	6.3	6.2	5.7	5.8
Centrally Planned:						
East Europe <u>7/ 8/</u>	35.2	35.2	35.5	37.5	38.9	40.2
USSR <u>9/</u>	81.5	83.0	83.2	83.2	<u>3/</u> 88.3	<u>8/</u> 91.0
Developing countries:						
Argentina	4.6	4.2	4.8	5.4	5.3	5.0
Brazil	7.2	7.3	7.4	7.5	7.3	7.3
Colombia	2.2	2.3	2.3	2.5	2.6	2.8
Mexico	4.6	4.8	5.4	5.6	5.6	5.7
Venezuela .....	.8	.8	1.0	1.1	1.1	1.1
Total	329.9	329.9	332.7	340.9	345.2	351.0

1/ Preliminary.2/ Forecast.3/ Revised.4/ Total sales off farm.5/ Milk for commercial use only.6/ Marketing year (Australia: July-June, New Zealand: June-May).7/ Excludes Albania.8/ ERS estimate.9/ Official Soviet Union figures.

Source: FAS, Dairy and Poultry Division.

seasonal decline. Wholesale prices for butter, American cheese, and nonfat dry milk came down to CCC support purchase levels during the second quarter. At the same time, higher prices reduced fluid milk sales and subsequently channeled more milk into manufacturing uses. As a result, production of most dairy products increased and commercial stocks rose to record levels. Since midyear, sales of butter and cheese have improved despite seasonal price increases. Fluid milk sales have also begun to recover as prices have continued to decline. Sales of nonfat dry milk continue to lag behind 1973 levels and the CCC was holding sizable stocks as of October 1, while last year it held none.

Domestic sales could show additional improvement over the next few months if the EC agrees to continue the suspension of export subsidies on dairy products destined for the U.S. market. Furthermore, the temporary increases in import quotas granted earlier this year had expired by midyear, and imports have returned to more normal levels.

Milk production in the *European Community* has recovered from last year's high feed costs and unfavorable weather in some areas. Continuing herd expansion appears to be the critical factor in next year's milk production, while short-run gains are likely due to lower prices for slaughter cattle. The April increase in the EC target price for milk of 8 percent plus another 5 percent increase agreed upon in October should help induce farmers to maintain or increase production during the 1974/75 season. Despite reduced butter production during the first three quarters of 1974, the EC is again experiencing substantial increases in stocks. Total butter stocks estimated at 357,000 metric tons⁷ for September 1 are below last year's very high levels, but considerably higher than this year's low of 188,000 metric tons in March.

Several factors are responsible and are also indicative of the present EC dairy situation: Increasing milk production which channels surplus milk into

manufactured products, especially butter; long-run decline in per capita butter consumption in the EC; the altered dairy market situation in the United States which will probably inhibit short-term increases of import quotas; increasing competition from third countries in traditional EC export markets; and EC policies which have encouraged butter production and in some instances discouraged consumption. Some countries, notably the United Kingdom, have implemented consumer subsidies to offset rising prices.

Poor weather in *Australia* and *New Zealand* was mainly responsible for a fall in milk production during the 1973/74 marketing year. Dairy herd reductions also contributed to New Zealand's reduced output which was more than 6 percent lower than in the previous season. A hopeful sign that New Zealand's production might recover in 1974/75 is the improvement in pasture and forage conditions. Australian milk producers are still feeling the effects of last season's weather which included both flood and drought. For the 1974/75 marketing year it appears that Australia's milk production will be further reduced by about 3 percent. Milk production in Australia is also being depressed by the new dairy policy which is phasing out subsidies to butter and cheese production (by 1975) and restructuring the dairy industry.

New Zealand and Australia are principal exporters of dairy products, with New Zealand exporting about one-third of total world exports. In the future both countries will have to depend more on non-traditional export markets. After the United Kingdom joined the European Community, Australian trade was prohibited by high levies and New Zealand's privileged position in the U.K. market is expected to be phased out. These developments, in addition to the rising cost of shipping and more attractive prices in markets other than the EC, have fostered export market development. New Zealand became Japan's largest supplier of dairy products in 1973 and is expanding sales of nonfat dry milk to Latin America and Southeast Asia. Australia is also developing markets for its dairy exports to Latin America and the Far East. (Myles J. Mielke)

⁷ Includes private stocks for Ireland.

SUGAR: HIGH PRICES TO CONTINUE

World production of centrifugal sugar is estimated at 81 million metric tons (raw value) in 1974/75 on the basis of weather conditions through October. This production would be slightly above last year and would closely match estimated consumption. Prices, however, will probably remain spectacularly high because of abnormally low stocks. The "world spot price" for raw cane sugar in late November exceeded 60 cents a pound, compared with an average of 9.61 cents in 1973 and less than 4 cents between 1965 and 1970.

Although the forecast 1974/75 output is almost on trend, it represents an increase of less than 1 percent over 1973/74. (See table 20). Consumption, on the other hand, will likely be almost 2 percent above last year, rising from 79.5 to 81 million metric tons. Between 1960 and 1974, consumption trended upward at a rate of 3.8 percent compared with the production rate of 3.4 percent. (See figure 7). Over-production in the mid-1960's caused prices to drop sharply and inhibited investment in production. World production grew very slowly during the late 1960's, and

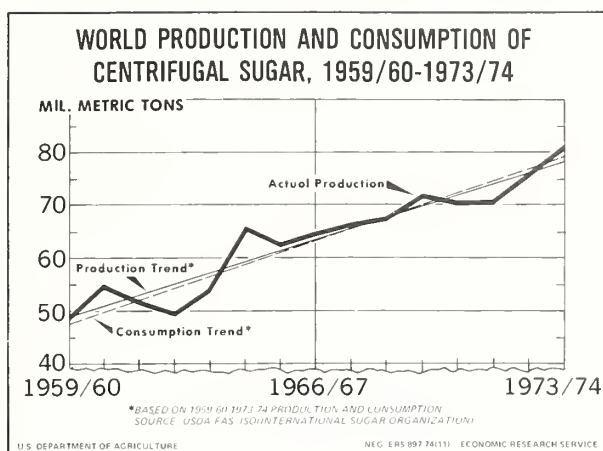


Figure 7

subsequent drops in USSR and Cuban output helped trigger today's price boom.

Production in Cuba, once the world's leading centrifugal cane producer and largest exporter, fell from a record of 8.5 million metric tons in 1969/70 to below 6 million metric tons in 1973/74 and is forecast at 6 million metric tons in 1974/75. In the USSR, annual average output of almost 9.9 million metric tons in 1964/65-1968/69 fell to less than 9 million metric tons annually in the 1970-73 seasons (mainly from adverse weather). USSR output for 1974/75 is forecast at about 9 million metric tons, down from 9.6 million metric tons last year, as a result of inferior beet growing conditions and harvesting losses. USSR net imports rose from an annual average of about 850,000 metric tons between 1965 and 1969 to 2.9 million metric tons in 1973 and 2.0 in 1974 and may be in excess of 3 million metric tons in 1975. Production in Cuba is expected to increase through expansion of sugarcane acreage and from technical and other aid from USSR.

European beet sugar production in 1974/75 is being reduced by unfavorable weather and the outbreak of

virus yellows disease. Import requirements are expected to be greater.

World beet sugar production in 1974/75 (located mainly in the developed countries) will be lower by about 1.6 million metric tons from last year. Part of the decrease results from acreage diversions to other crops such as wheat and soybeans in the United States and corn silage in the Netherlands.

U.S. output of sugar is expected to remain at last year's 5.1 million metric tons. Despite serious hurricane damage in Louisiana, U.S. cane sugar output will be up more than 8 percent, while beet sugar is expected to fall about 9 percent.

World cane sugar output, produced mainly in the developing countries, has been increasing faster than beet sugar and now comprises about 60 percent of centrifugal sugar production up from an average of less than 57 percent in 1965-69. World cane sugar output is expected to be 2 million metric tons above last year's record level. Brazil is the leading producer, and output is forecast at 7.4 million metric tons, almost 7 percent above last year's record volume. Estimated output will be below target level partly because of dry weather conditions in some areas. Centrifugal sugar production in India is estimated at 4.8 million metric tons, or 3 percent below 1973/74.

In contrast to the erratic growth of world sugar output since 1959/60, world consumption has steadily increased, as a result of population growth, gains in per capita incomes, expansion of food processing industries, increased soft drink consumption, and some concern over the possible harmful effects of artificial sweeteners. Many producing countries, particularly the developing countries, have not yet permitted domestic prices to fully reflect the growing global scarcity of sugar over the last few years. There is some evidence that consumption has weakened in the United States, Western Europe, and Japan in the wake of steep prices and threats of economic recession.

Some of the world price increases over the last few years will likely remain as permanent legacies of economy-wide price inflation and higher energy costs. Other price-escalating factors, such as sugar purchases by the Middle East in the last few months, extra-large inventories carried by some industrial processors, and hoarding by consumers, will diminish as supplies, stimulated by higher prices, gain faster than consumption in the next few years.

Prices will continue at high levels, so long as stocks are low. As consumption outstripped production between 1970 and 1973, world stocks were reduced. Even though output exceeded total use in 1973/74, ending stocks were still only 16 million metric tons compared to 23 million metric tons at the end of 1969/70. Stocks will not be replenished in the 1974/75 season, and the stocks-to-consumption ratio is expected to be about 20 percent at season's end, 1974/75, compared with 32 percent at the end of 1969/70. The correlation between the N.Y. world spot

Table 20.—World Sugar Production and Trend Estimates

Year	Centrifugal sugar production (raw value)		
	Actual production	Trend production ¹	Deviation from trend
	Million metric tons	Million metric tons	Million metric tons
1970/71	70.5	72.0	-1.5
1971/72	70.6	74.1	-3.5
1972/73	75.3	76.2	-0.9
1973/74	80.5	78.2	2.3
1974/75 (forecast) .	80.9	80.3	0.6

¹ Trend based on 1959/60-1973/74.

Table 21.--World centrifugal sugar production, trade and consumption

Country or Region	1964/65-1968/69			1972/73			1973/74 ^{1/}			1974/75 ^{1/}		
	Production	Net exports	Consumption	Production	Net exports	Consumption	Production	Net exports	Consumption	Production	Net exports	
						1,000 Metric tons, raw value						
North America	15,798	2,143	13,755	17,200	1,408	15,555	17,308	1,962	15,555	17,852	2,201	
Canada	139	-841	1,022	146	-900	1,212	114	-900	1,212	103	-1,056	
United States ^{2/}	4,969	-4,094	9,653	5,817	-4,718	10,501	5,133	-4,742	10,501	5,056	-5,100	
Cuba	5,163	4,969	596	5,250	4,140	464	5,700	4,797	464	6,000	5,300	
Dominican Republic:	723	588	119	1,142	1,099	156	1,157	1,031	156	1,234	1,048	
Mexico	2,301	460	1,665	2,770	577	2,295	2,850	580	2,295	3,000	650	
Other North America	2,503	1,061	700	2,075	1,210	927	2,354	1,196	927	2,459	1,359	
South America	7,904	1,779	5,848	10,656	3,148	7,830	11,983	3,575	7,830	12,551	6,407	
Argentina	991	74	879	1,294	167	958	1,650	469	958	1,487	478	
Brazil	4,356	968	3,107	6,164	2,054	4,266	6,960	2,376	4,266	7,400	5,000	
Other South America	2,557	737	1,862	3,198	927	2,606	3,373	730	2,606	3,664	929	
West Europe	9,382	-2,889	13,299	11,219	-1,526	15,162	11,852	-1,418	15,162	11,088	-2,685	
EC	7,982	-1,717	10,097	9,435	-399	11,116	10,056	-342	11,116	9,346	-1,286	
Other West Europe	1,400	-1,172	3,202	1,784	-1,127	4,046	1,796	-1,076	4,046	1,742	-1,399	
East Europe	4,906	91	4,191	4,854	-283	5,212	5,147	-304	5,212	5,147	-1,291	
U.S.S.R.	9,930	-853	9,403	8,150	-1,860	11,200	9,570	-2,587	11,200	9,000	-3,400	
Africa	2,612	-42	2,702	3,544	-157	3,767	3,875	-157	3,767	3,845	-142	
South Africa	1,426	734	825	1,915	1,168	1,068	1,732	892	1,068	1,915	855	
Republic												
Asia	10,614	-2,230	12,808	14,666	-3,274	17,909	16,082	-3,151	17,909	16,149	-4,151	
P.R. China	1,441	-157	2,679	2,457	-593	3,800	2,630	-581	3,800	2,600	-900	
India	3,551	233	2,800	4,572	105	3,827	4,950	209	3,827	4,800	--	
Japan	361	-1,913	2,289	650	-2,777	3,294	653	-2,372	3,294	529	-2,674	
Philippines	1,559	970	622	2,425	1,240	800	2,644	1,475	800	2,769	1,847	
Oceania	2,647	1,787	858	3,111	2,109	982	2,943	2,173	982	3,310	2,515	
Australia	2,290	1,636	683	2,736	2,010	778	2,593	2,100	778	2,950	2,215	
World Total	65,219	520	63,688	75,315	733	78,685	80,492	985	78,685	80,857	299	

Note: --Means zero or negligible. The difference between production and consumption is not equal to change in stocks because of differences in reporting methods, sugar in transit, and reporting lags. World net exports do not equal zero because of statistical discrepancies.

^{1/} Consumption data by country are not yet available for publication. Production in 1973/74-1974/75 and trade in 1973/74 are preliminary. Trade data for 1974/75 are forecasts.

^{2/} Includes Hawaii.

Source: Production and trade, FAS, consumption, ISO.

price and the world stocks-to-consumption ratio is 0.90. The forecast world stocks volume of 16 million metric tons would represent only about 2.25 months consumption requirements.

WORLD TOBACCO IN SHORT SUPPLY

World tobacco output this year is expected to total a little above the 10.4 billion pounds produced in 1973 as U.S. output is up 13 percent. U.S. production of nearly 2 billion pounds compares with 1.75 billion in 1973. U.S. flue-cured output increased 9 percent, and the burley crop is forecast up 25 percent.

About two-thirds of the world's tobacco consumption is in the form of cigarettes, and world cigarette output increased for several years. Last year's gain was about 4 percent. Principal types of tobacco produced and exported in the United States are flue-cured and burley types which are used mostly for cigarette manufacture. Available supplies of U.S. flue-cured and burley have been reduced materially in recent years and poor crops and lowered stocks in many foreign countries have resulted in generally tight supplies and rising prices in world markets.

For the 1974 crop, U.S. flue-cured auctions ended November 21 with prices averaging \$1.05 per pound compared with 88 cents in 1973. The U.S. effective marketing quota for flue-cured tobacco in 1975 will be about 1.6 billion pounds, 18 percent above 1974. Support prices are expected to go up about 12 percent, according to the legal formula. The U.S. burley auction opened November 25 with prices averaging \$1.12 per pound, 24 cents above the previous year's opening.

Production of flue-cured tobacco in 1974 outside the United States may have increased. Declines were registered in India and Japan while increases occurred in the People's Republic of China, Brazil, Canada,

Further market uncertainties are posed by the expiration of both the U.S. Sugar Act and the Commonwealth Sugar Agreement at the end of 1974. (Robert D. Barry)

Rhodesia, and the Philippines. Rhodesia plans a larger crop next year, but the continued U.N. sanctions and unstable political situation limits Rhodesia's exports. World production of burley was up in 1974 primarily due to the boost in the U.S. crop. Among other countries, estimated output in Korea decreased. In Italy, the largest producer outside the United States, production stabilized.

U.S. exports of tobacco-unmanufactured leaf plus products—in calendar year 1973 totaled \$970 million, up a tenth from 1972. U.S. exports of tobacco in January-October 1974 totaled \$919 million, 22 percent more than in the same months of 1973. U.S. exports of unmanufactured leaf are expected to set a record high level in 1974 and may remain near that high level in 1975. Exports of manufactured products (cigarettes and smoking tobacco) have risen steadily for several years, a trend that is likely to continue in 1975.

Although the United States remains the largest exporter of unmanufactured tobacco, its share of the market totals about 27 percent of total exports of non-Communist countries. As recently as 1968, U.S. exports accounted for about one-third of the non-Communist export market. Many other countries were able to expand production for domestic use and export markets. The European Community takes about 60 percent of U.S. exports of unmanufactured tobacco but with the short supplies of quality tobacco from other areas, U.S. exports have not been reduced despite the preferential trade arrangements within the EC and associated areas. (Robert H. Miller)

WORLD COTTON DEMAND WEAKER AND STOCKS ARE UP

The slowdown in world economic growth has adversely affected 1974/75 markets for cotton fibers and fabrics. The price of U.S. SM 1-1/16" cotton, cif Northern Europe, is down from U.S. 88.42 cents in December 1973 to less than 55 cents in early November this year. Reduced demand and rising cost of production will likely lead to some decrease in cotton plantings for the 1975/76 harvests. In the current 1974/75 season (August-July), world cotton production is estimated at 62.7 million bales, 1 percent above the prior year and 1.7 million bales above trend. With consumption forecast to fall to about 60 million bales, cotton stocks will again increase, by more than 2.5 million bales.

For the past five seasons, world cotton production has risen steadily, outpacing consumption in the last 3

Table 22.—World Cotton Production and Trend Estimates

Year beginning August 1	World cotton production		
	Actual	Trend ¹	Deviation from trend
	Million bales ²	Million bales ²	Million bales ²
1970/71	5.7	56.7	-3.5
1971/72	5.1	57.8	1.7
1972/73	64.4	58.9	2.9
1973/74	6.1	59.9	2.1
1974/75 (forecast) .	6.7	61.0	0.9

¹ Trend based on 1960/61-1973/74. ² Bales of 480 lbs. net weight.

seasons and causing stocks to increase. Although the volume of stocks normally rises with consumption, the ratio of beginning stocks to consumption is higher than usual—42 percent compared with 40.5 percent last season.

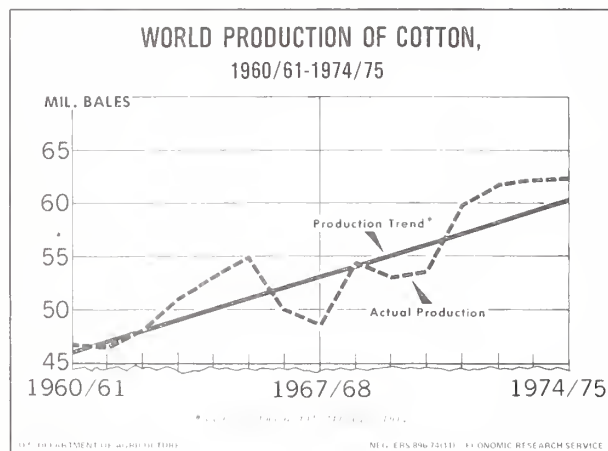


Figure 8

U.S. cotton production in 1974 is now estimated at 12.1 million bales, nearly 1 million short of the previous year because of sharply lower yields from adverse weather. USSR cotton crop of 12.6 million bales would be 800,000 above last year's, making the USSR the leading cotton producer this season. Since 1970, the USSR has had one record cotton harvest after another, boosted by extension of irrigation works, higher deliveries of fertilizer and pesticides, and greater research efforts.

In other major exporting countries, the picture is mixed. Pakistan's output will be up despite water supply problems in the Punjab and Sind at the time of sowing, mainly from an addition of 340,000 acres. Turkey's output is also up because of an additional 275,000 acres. Decreases in production are estimated for Brazil, Nicaragua, Egypt, Syria and the Sudan, resulting from lower cotton acreage. Plantings of corn, soybeans, and peanuts have replaced some cotton acreage in southern Brazil. Iran's output will be down a fraction from last year. PRC cotton production, the

world's third largest, is estimated at 9.9 million bales, the same as the previous year. Cotton acreage in India was reduced 5 percent—1 million acres. Further, the late monsoon and lower fertilizer inputs have lowered yields so that production will slide to 5.2 million bales, 300,000 below the previous season.

World mill consumption of cotton rose 2.6 percent over the previous year in 1972/73 and 3.7 percent in 1973/74 and this season will likely drop almost 2 percent. Consumption in 1973/74 was at a record level, partly from the shortage of man-made fibers in consequence of the energy crisis. Consumption in 1974/75 may fall nearly a million bales in the United States, continuing a 9-year downtrend. Growth in cotton consumption has been rapid in the developing countries this past decade, mainly in Asia. This year, however, consumption will be set back. Japan's mill use will decline approximately 300,000 bales after 2 years of stable consumption. Hong Kong, Taiwan, and possibly South Korea are all expected to have lower consumption requirements. World consumption this year will be buoyed, however, by continued expansion in the Central Plan countries. The USSR is expected to utilize more cotton than ever, a forecast 9.5 million bales, up 300,000 from last season. Eastern Europe may consume 100,000 bales more than in 1973/74. Indications are that the PRC's consumption will likely reach 10.8 million bales. With imports of about 1.0 million bales, production and imports would be about equal to estimated consumption.

World cotton exports for the year ended July 1974 totaled 19.5 million bales, about 1 million below the previous season. A further decline to about 18.6 million bales is forecast for 1974/75, reflecting the overbuying by Asian importers in 1973, the current high cost of holding inventories at a time of tight credit conditions, and the poor near-term sales prospects for textile manufacturers. U.S. exports in 1974/75 are forecast between 4 and 4.5 million bales and may account for less than one-fourth of world exports, compared with 30 percent in 1973/74. U.S. exports to Japan are likely to drop from 1.3 million bales last season to 1 million. U.S. exports to PRC may also decline. Turkey and Central America may each be exporting about 400,000 more bales than in 1973/74. (Robert D. Barry)

Table 23.--Cotton production, exports, imports, and mill consumption in selected countries and regions, 1971/72 - 1974/75 ^{1/}

Country and Region	Production			Exports			Imports			Mill consumption		
	1971/72	1972/73	1973/74	1974/75	1971/72	1972/73	1973/74	1974/75	1971/72	1972/73	1973/74	1974/75
	2/	2/	2/	2/	2/	2/	2/	2/	2/	2/	2/	2/
	Million bales ^{3/}											
United States	10.4	13.7	13.1	12.1	3.4	5.3	6.1	4.3	0.1	8.2	7.8	7.5
U.S.S.R.	10.9	11.2	11.8	12.6	2.8	3.0	3.3	2.9	0.9	8.6	8.9	9.2
China, People's Republic	9.6	8.2	9.9	9.9	--	--	--	0.1	0.7	9.5	10.0	10.5
India	5.9	5.4	5.5	5.2	0.2	0.2	0.2	0.1	0.6	5.6	5.7	5.9
Pakistan	3.2	3.2	2.9	3.1	1.0	0.8	0.2	0.7	--	2.0	2.4	2.4
Brazil	3.1	3.0	2.6	2.5	1.4	1.3	0.8	0.9	--	1.4	1.5	1.7
Egypt (UAR)	2.3	2.4	2.3	2.1	1.4	1.4	1.1	1.0	--	1.0	1.0	1.0
Turkey	2.4	2.5	2.4	2.6	1.5	1.4	1.0	1.4	--	0.9	0.9	1.0
Mexico	1.7	1.8	1.5	1.9	0.9	0.9	0.8	0.8	--	0.7	0.8	0.8
Central America ^{4/}	1.2	1.2	1.5	1.4	1.0	1.1	1.0	1.4	--	0.1	0.1	0.2
Sudan	1.1	0.9	1.1	0.9	1.1	1.1	0.9	0.8	--	0.1	0.1	0.1
EC-9	--	--	--	--	--	--	--	--	--	0.1	0.1	0.1
Eastern Europe ^{5/}	0.1	0.1	0.1	0.1	--	--	--	--	4.2	4.2	4.1	4.0
Japan	--	--	--	--	--	--	--	--	2.8	2.9	2.8	2.9
Hong Kong	--	--	--	--	--	--	--	--	3.6	3.2	3.6	3.3
Taiwan	--	--	--	--	--	--	--	--	0.6	0.7	0.7	0.9
Korea, rep. of	--	--	--	--	--	--	--	--	0.5	0.5	0.6	0.7
Other countries	7.3	7.9	7.4	8.4	3.9	4.0	4.0	4.2	3.8	6.7	7.3	8.0
World total	5.91	61.4	62.1	62.7	18.6	20.6	19.5	18.6	18.4	57.4	58.9	61.1
												60.1

Note: -- = Less than 500 bales. Individual items may not precisely add to totals because of rounding.

^{1/} Years beginning August 1.

^{2/} Preliminary and subject to revision.

^{3/} Bales of 480 lbs. net weight.

^{4/} Includes Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica.

^{5/} Includes East Germany, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Yugoslavia, and Albania.

Source: FAS.

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Table 24.--U.S. cotton exports by destination, 1969/70-1973/74 1/

Country	Average 1967/68- 1971/72	1971/72	1972/73	1973/74
----- 1,000 running bales <u>2/</u> -----				
Japan	766	726	1,039	1,312
China, People's Rep. of	--	--	541	820
Korea, Rep. of	447	489	572	722
China, Rep. of (Taiwan)	305	288	356	542
European Community	(411)	(375)	(700)	(416)
Italy	108	121	172	124
Germany, West	60	77	177	101
France	72	35	141	81
United Kingdom	74	63	88	60
Other EC	97	79	122	50
Hong Kong	159	48	193	356
Canada	207	312	249	258
Indonesia	168	227	203	223
Philippines	136	127	153	154
Bangladesh	--	--	114	92
Romania	29	44	72	89
Switzerland	34	32	86	78
South Vietnam	81	109	124	65
Spain	15	38	107	35
Poland	55	38	58	30
India	218	101	--	--
Others	303	275	440	554
Total	3,334	3,229	5,007	5,746

-- = less than 500 bales.

1/ Years beginning August 1.

2/ Export bales were, on the average, packed heavier than 480 lbs. net, so the total number of bales shown here does not agree with the net weight bales shown in table

Source: FAS